



**City of Opa-locka, Florida**

**For the Fiscal Year Ended  
September 30, 2019 (Restated)**



**Annual**

**Financial**

**Report**



# **The City of Opa-locka**

## **Mission Statement**

**The Mission of the City of Opa-locka is to enhance the quality of life, environment, and safety of our customers and employees in an atmosphere of courtesy, integrity, and quality service.**

# CITY OF OPA-LOCKA, FLORIDA

## ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

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# CITY OF OPA-LOCKA, FLORIDA

## ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

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**Office of the City Manager  
780 Fisherman Street, 4<sup>th</sup> Floor  
Opa-locka, FL 33054**

**John E. Pate, MS, CM**  
City Manager

**Telephone** (786) 338-6598  
**Email:** [jpate@opalockafl.gov](mailto:jpate@opalockafl.gov)

June 28, 2021

***To the Citizens, the Honorable Mayor, Vice Mayor, City Commissioners, City Manager and Assistant City Manager of the City of Opa-locka:***

It is my pleasure to submit the Audited Financial Report for the City of Opa-locka, Florida, for the fiscal year ended September 30, 2019, pursuant to Section 218.39 of the Florida Statutes, Chapter 10.550 of the Rules of the Auditor General of the State of Florida and the City Charter. The financial statements included in this report conform to accounting principles generally accepted in the United States of America prescribed by the Governmental Accounting Standards Board (GASB). This report is published to fulfill that requirement for the fiscal year ended September 30, 2019.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a framework of internal controls that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements.

The financial statements have been audited by Anthony Brunson, P.A., a firm of licensed certified public accountants. The independent auditors have issued an unmodified opinion on the City's financial statements for the year ended September 30, 2019. The independent auditors' report is located at the front of the financial section of the report.

The Management's Discussion and Analysis (MD&A) segment immediately follows the independent auditor's report and provides narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

## **Profile of the Government**

The City of Opa-locka was incorporated in 1926 and operates under the Commission/City Manager form of government. The City Commission is comprised of the Mayor, Vice Mayor and three Commissioners, who are responsible for enacting ordinances, resolutions and regulations governing the City and appointing the members of various advisory boards. Additionally, the City Commission appoints the City Manager, the City Attorney and the City Clerk. As Chief Administrative Officer, the City Manager is responsible for the enforcement of laws and ordinances and the appointment and supervision of the City's Department heads.

The City provides a full range of services including police, construction and maintenance of highways and streets and other infrastructure, recreational and cultural activities, water and wastewater, storm water, sanitation, planning and zoning and general administrative services.

For additional services concerning our City, please visit our website at [www.opalockafl.gov](http://www.opalockafl.gov).

The financial reporting entity under which the financial statements are prepared includes all activities and functions for which the City is financially accountable.

The City is required to prepare, approve, adopt and execute an annual budget. This annual budget serves as the foundation for the City's financial planning and control. Budgetary control is maintained at the departmental and fund level, with the finance department providing support to departments in the administration of their budgets. Budget to actual comparisons are provided in this report for all of the City's funds that have an appropriated annual budget.

## **Local Economy**

The City of Opa-locka comprises approximately 4.5 square miles and has a population of approximately 16,000 residents. It is located in the northern portion of Miami-Dade County. The City is a mix of residential, commercial and industrial zones including the Miami-Dade Opa-locka Airport, which is owned and operated by Miami-Dade County. The City of Opa-locka community is served by two elementary schools.

## **Major Initiatives**

On June 1, 2016, the City of Opa-locka City Commission adopted a Resolution to request a declaration that the City is in a state of financial emergency, and to seek the appointment of a financial emergency board and other assistance pursuant to section 218.503 (1), Florida Statutes. The State of Florida, Office of the Governor, issued Executive Order 16-135, signed by Florida Governor, Rick Scott.

On June 8, 2016, the City entered into a State and Local Agreement of Cooperation between the Governor as a result of being in a state of financial emergency. The State implemented measures to resolve the financial emergency, the City's cooperation with the Governor to resolve the financial

emergency and the Governor to designate the Office of the Chief Inspector General (“Governor’s Designee”) to serve as the lead entity responsible for coordinating the Governor’s efforts in providing intervention and assistance to the City.

One element of exiting from a state of financial emergency is the development of a Five-Year Recovery Plan by the City, demonstrating the City’s ability to satisfy the requirements necessary for restoration of the City’s fiscal integrity. The City submitted a proposed Five-Year Recovery Plan to the State of Florida, which was approved in August 2020 without modification.

As of September 2018, the Cairo Lane and the NW 127 Street project is at 51% completion, the City anticipates completing this project by June 2021.

**Acknowledgements**

The Finance Department, under the supervision of TriMerge Consulting Group, P.A., the City Manager, Assistant City Manager, Directors and Staff Members all contributed to the preparation of this report. We would also like to express our appreciation for the leadership of the Mayor, Vice Mayor and Commissioners.

Respectfully,



John E. Pate  
City Manager



# CITY OF OPA-LOCKA, FLORIDA

## LIST OF PRINCIPAL OFFICIALS

### CITY COMMISSION



Chris Davis  
**Vice Mayor**



Matthew Pigatt  
**Mayor**



Alvin Burke  
**Commissioner**



Sherelean Bass  
**Commissioner**



Joseph L. Kelley  
**Commissioner**

### CITY EXECUTIVE MANAGEMENT

Newall J. Daughtrey  
**City Manager**

Joanna Flores  
**City Clerk**

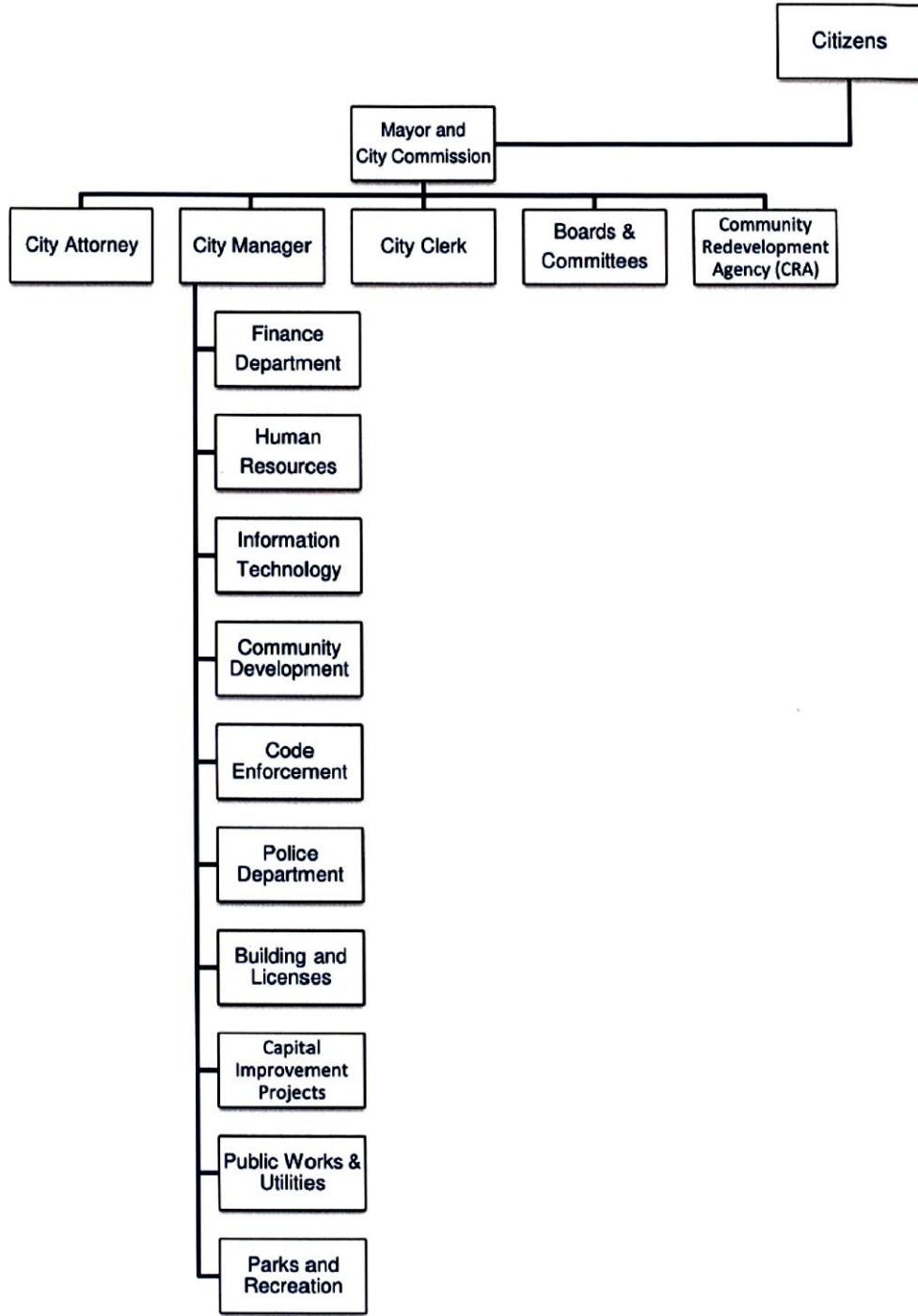
Burnadette Norris-Weeks  
**City Attorney**





# CITY OF OPA-LOCKA, FLORIDA

## ORGANIZATIONAL CHART



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## **FINANCIAL SECTION**

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# ANTHONY BRUNSON P.A.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council  
City of Opa-locka, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Opa-locka, Florida, (the "City") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Emphasis of Matter----Capital Assets

We draw attention to Note 23 of the financial statements, which describes the Capital assets record for the City of Opa-locka, Florida for the purposes of financial reporting. The City hired HCA Asset Management, LLC in January 2021 to perform an onsite physical inspection of all capital assets. The recognition of the capital assets basis and related accumulated depreciation is based upon the capital asset data provided by HCA staff.

HCA has followed costing techniques and depreciation methodology consistent with generally accepted accounting principles in developing their reports and retroactively applied to September 30, 2019. Our opinion is not modified with respect to this matter.

- 1 -



**Miramar Office**  
3350 SW 148<sup>th</sup> Avenue | Suite 110  
Miramar, FL 33027  
(954) 874-1721

CLIENT FOCUSED: SOLUTION DRIVEN

[info@abcpasolutions.com](mailto:info@abcpasolutions.com)

**Miami Office**  
801 Brickell Avenue | Suite 800  
Miami, FL 33131  
(305) 789-6673

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Opa-locka, Florida as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 16 and budgetary comparison information on pages 70 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

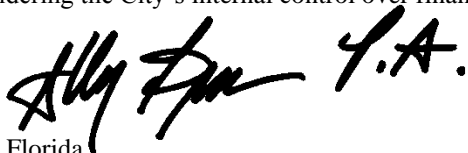
Our audit engagement was for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Opa-locka, Florida. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the budgetary comparison schedules were derived from, and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the combining and individual nonmajor fund financial statements and the budgetary comparison schedules, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Miami, Florida

June 28, 2021

Except for Note 23 as to which  
date is June 23, 2022

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**(MD&A)**

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# CITY OF OPA-LOCKA, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### OVERVIEW OF THE FINANCIAL STATEMENTS

The City of Opa-locka's Management Discussion and Analysis (MD&A) is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions, or conditions. It is intended to provide a broad overview on short-term and long-term analyses of the City's activities based on information presented in the financial report and fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns. The information contained within this section should be considered only a part of a greater whole of information on the City's financial status.

### FINANCIAL HIGHLIGHTS

1. The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$31.9 million (*net position*).
2. The City's total net position increased by \$23.7 million or 292% resulting from current City operations, and a remeasurement of capital assets.
3. The City's governmental-type activities reported net position of \$17.8 million representing a \$11.4 million or 179% increase when compared to the prior year's net position of \$6.4 million.
4. The City's business-type activities reported a net position of \$14.1 million, representing an increase of 691% compared to the prior year's net position of \$1.78 million. This is attributed to the allowance for doubtful accounts for utility billing receivables, other business transactions throughout the year, and a remeasurement of capital assets.
5. At the end of the fiscal year, the Governmental Fund reported a fund balance of \$6.6 million, compared to \$4.8 million in the prior year, the change is related to positive transfer of the capital projects improvement debt service fund balance to the general fund for prior year activity of more than \$1.9 million.
6. The City's total liabilities for governmental activities declined by \$1.2 million, or 3.9% during the current fiscal year as a result of increases in due to other governments, accounts payable and accrued liabilities, as well as compensated balances.
7. The total debt outstanding for the City's business-type activities increased by \$3.1 million, or 19%, this increase is related to changes in contingent liabilities and long-term liabilities for water meter replacement and installation.

# CITY OF OPA-LOCKA, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FISCAL YEAR ENDED SEPTEMBER 30, 2019

#### *Overview of the Financial Statements*

This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplementary information and an additional section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements show how general government services such as public safety were financed in the short term as well as what remains for future spending.

The financial statements include *notes* explaining some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* which further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which is added together and presented in a single column in the basic financial statements.

Users interested in "budgetary performance" will find that information available in the required supplementary information and other financial information following the notes to the financial statements.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The *government-wide* financial statements consist of a Statement of Net Position and a Statement of Activities. Both statements represent an overview of the City as a whole, separating its operations between governmental and business-type activities. All information is presented utilizing the economic resources measurement focus and accrual basis of accounting. This method better matches revenues and expenses to the period in which the revenues are earned and the expenses attributed, and is a useful indicator of a government's financial position.

The *Statement of Net Position* (the "Unrestricted Net Position") is designed to be similar to a bottom line for the City and its governmental and business-type activities. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations. It presents information on all the City's assets and deferred outflows of resources, on one hand; liabilities and deferred inflows of resources on the other hand; the difference between them, reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* is focused on both the gross and net cost of various activities (including governmental, business-type and component unit), which are provided by the government's general tax and program revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and the local taxing efforts necessary to sustain each of those activities.

# CITY OF OPA-LOCKA, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FISCAL YEAR ENDED SEPTEMBER 30, 2019

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, charges for services, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, transportation, cultural and recreational. The business-type activities include water and sewer, solid waste and storm-water, where the fee for service typically covers all or most of the cost of operations and depreciation.

The government-wide financial statements can be found on pages 17-18 of this report.

## **FUND FINANCIAL STATEMENTS**

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the City rather than the City as a whole. Except for the General Fund, separate funds are established to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

## **GOVERNMENTAL FUNDS**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for the governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund, which is considered to be a major fund. The Capital Projects Improvement Debt Service Fund was established to account for the proceeds of the 2011 and 2015 debt issuance and presented as a major fund. The City presents data from all other governmental funds in a single column (non-major funds). Individual fund data for each of these non-major governmental funds are included in the combining statements.

The City adopts an annual appropriated budget for its governmental funds. Budgetary comparison schedules have been provided for all the governmental funds to demonstrate compliance with the funds' budgets.

The basic governmental fund financial statements can be found on pages 19-22 of this report.



# CITY OF OPA-LOCKA, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### PROPRIETARY FUNDS

Proprietary fund financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in fund net position and a statement of cash flows. These statements are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements. For financial reporting purposes, proprietary funds are grouped into Enterprise Funds.

The City uses Enterprise Funds to account for business-type activities that charge fees to customers for the use of specific goods or services. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City has three Enterprise Funds: the Water and Sewer Fund, Solid Waste and Stormwater Fund. A statement of cash flows is presented at the fund financial statement level for the proprietary funds.

The basic propriety fund financial statements can be found on pages 23-25 of this report.

### ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

When evaluating the financial position and short-term financial performance of the City, two tools are particularly valuable: The Statement of Net Position and the Statement of Activities. It is useful for the user to compare the current year with the prior year. This aids in spotting trends and other areas of concern or interest. For ease of relative comparisons, we include the percent change from one year to another (See below).

### NOTES TO THE BASIC FINANCIAL STATEMENTS

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-69 of this report.

### OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information (RSI)* concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. This section also includes a comparison between the City's General Fund adopted and final budget and actual financial results. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. The City also adopts an annual appropriated budget for each of its other governmental funds which are presented as supplementary information.

Combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the Required Supplemental Information.

# CITY OF OPA-LOCKA, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Summary of Net Position.** As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. There are six basic transactions that will affect the comparability of the Statement of Net Position summary presentation as reflected below:

1. *Net results of activities* will impact (increase/decrease) current assets and unrestricted Net Position.
2. *Borrowing for capital* will increase current assets and long-term debt.
3. *Spending borrowed proceeds on new capital* will reduce current assets and increase capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt which will not change the net investment in capital assets.
4. *Spending of non-borrowed current assets on new capital* will reduce current assets and increase capital assets and will reduce unrestricted Net Position and net investment in capital assets.
5. *Principal payment on debt* will reduce current assets and reduce long-term debt and reduce unrestricted Net Position and increase net investment in capital assets.
6. *Reduction of capital assets through depreciation* will reduce capital assets and net investment in capital assets.

The following schedule is a summary of the fiscal year 2019 Statement of Net Position with comparative information for fiscal year 2018.

	Governmental Activities			Business-type Activities			Total		
	2019	2018	Change	2019	2018	Change	2019	2018	Change
Current and other assets	\$ 12,804,303	\$ 10,336,428	24%	\$ 6,165,261	\$ 6,484,200	-5%	\$ 18,969,564	\$ 16,820,628	13%
Capital assets, net	<u>33,936,512</u>	<u>25,189,033</u>	35%	<u>27,192,843</u>	<u>11,317,139</u>	140%	<u>61,129,355</u>	<u>36,506,172</u>	67%
Total assets	<u>46,740,725</u>	<u>35,525,461</u>	32%	<u>33,358,104</u>	<u>17,801,339</u>	87%	<u>80,098,919</u>	<u>53,326,800</u>	50%
Deferred outflow of resources	<u>3,049,245</u>	<u>3,949,017</u>	-23%	<u>415,806</u>	<u>538,502</u>	-23%	<u>3,465,051</u>	<u>4,487,519</u>	-23%
Current and other liabilities	6,177,768	6,472,085	-5%	5,191,877	5,167,983	0%	11,369,645	11,640,068	-2%
Long-term liabilities	<u>23,418,134</u>	<u>24,320,704</u>	-4%	<u>14,126,495</u>	<u>11,069,175</u>	28%	<u>37,544,629</u>	<u>35,389,879</u>	6%
Total liabilities	<u>29,595,902</u>	<u>30,792,789</u>	-4%	<u>19,318,372</u>	<u>16,237,158</u>	19%	<u>48,914,274</u>	<u>47,029,947</u>	4%
Deferred inflow of resources	<u>2,427,886</u>	<u>2,323,230</u>	5%	<u>331,075</u>	<u>316,805</u>	5%	<u>2,758,961</u>	<u>2,640,035</u>	5%
Net assets:									
Invested in capital assets, net of related debt	22,030,441	12,342,000	78%	22,292,222	6,263,470	256%	44,322,663	18,605,470	138%
Restricted	8,839,335	2,873,620	208%	-	-	0%	8,839,335	2,873,620	208%
Unrestricted	<u>(13,103,503)</u>	<u>(8,857,161)</u>	48%	<u>(8,167,759)</u>	<u>(4,477,594)</u>	82%	<u>(21,271,262)</u>	<u>(13,334,755)</u>	60%
Total net assets	<u>\$ 17,766,272</u>	<u>\$ 6,358,459</u>	179%	<u>\$ 14,124,463</u>	<u>\$ 1,785,876</u>	691%	<u>\$ 31,890,735</u>	<u>\$ 8,144,335</u>	292%

# CITY OF OPA-LOCKA, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FISCAL YEAR ENDED SEPTEMBER 30, 2019

#### STATEMENT OF NET POSITION

The overall net position of the City increased in fiscal year 2019, from the prior year net position, by \$23.7 million or 292%. The net position was \$8.1 million in FY 2018 and FY 2019 net position is \$31.9 million. The changes in net position over time can generally be one of the best and most useful indicators of financial health.

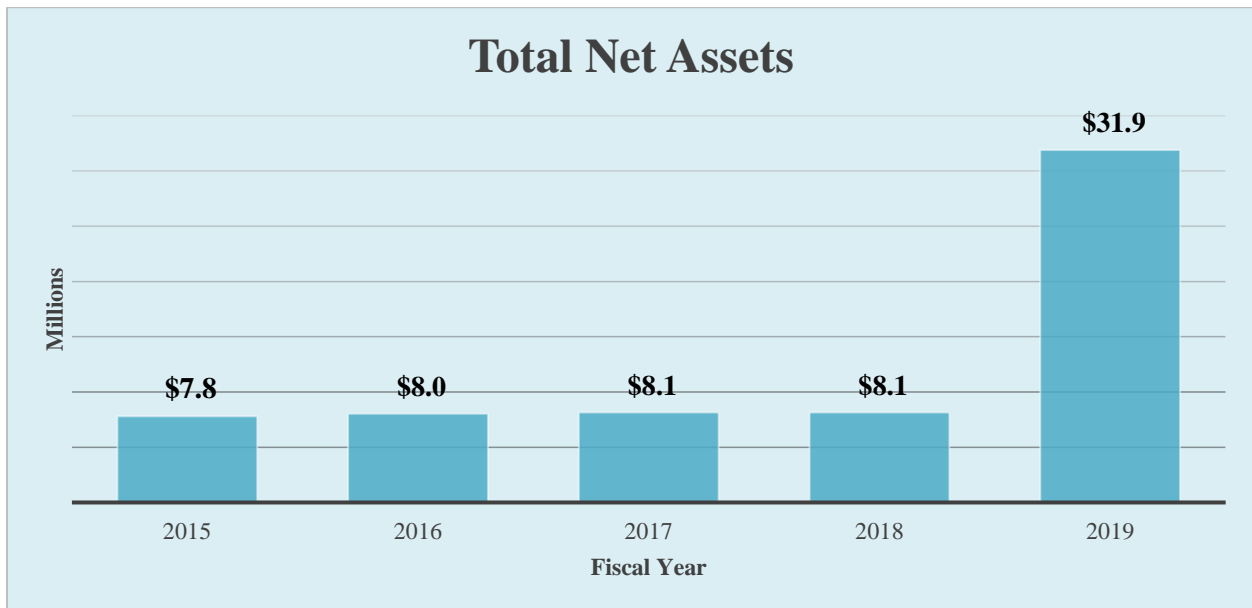
The governmental activities of the City's current and other assets increased by 24% while the current liabilities of those activities decreased by 4.5%. Meanwhile, the business-type activities of the City's current and other assets decreased by 5% while the current liabilities of those activities increased by \$23,894.

The governmental activities invested in capital assets increased by \$9.7 million or 78% from the previous year and unrestricted net position now stands at (\$13.1) million, a \$4.2 million or 48% decline from the previous year. This is due to a reclassification of debt service from unrestricted to properly record it as restricted.

The business-type activities invested in capital assets increased by \$16.0 million or 256%. Unrestricted net position now stands at (\$8.2) million, compared to (\$4.5) in the prior year.

#### Five Years Total Net Position

(In millions)



By far the largest portion of the City's net position is investment in capital assets (e.g., land, buildings and building improvements, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; however, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

# CITY OF OPA-LOCKA, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### STATEMENT OF ACTIVITIES

The following schedule is a summary of the fiscal year 2019 Statement of Activities with comparative information to fiscal year 2018:

	Governmental Activities			Business-type Activities			Total		
	2019	2018	Change	2019	2018	Change	2019	2018	Change
<b>Revenues:</b>									
Program revenues:									
Charges for services	\$ 1,544,202	\$ 1,434,921	8%	\$ 13,910,678	\$ 8,156,228	71%	\$ 15,454,880	\$ 9,591,149	61%
Operating /capital grants and cont.	1,039,836	733,240	42%	81,652	228,000	-64%	1,121,488	961,240	17%
<b>General revenues:</b>									
Property taxes	8,539,449	7,091,758	20%	-	-	0%	8,539,449	7,091,758	20%
Other taxes	2,542,276	2,481,869	2%	-	-	0%	2,542,276	2,481,869	2%
Franchise fees	1,962,804	1,675,728	17%	-	-	0%	1,962,804	1,675,728	17%
Intergovernmental, unrestricted	1,758,132	822,465	114%	-	-	0%	1,758,132	822,465	114%
Interest	33	1,113	-97%	24	-	N/A	56	1,113	-95%
Other	<u>460,559</u>	<u>888,059</u>	-48%	<u>5,549</u>	<u>-</u>	N/A	<u>466,108</u>	<u>888,059</u>	-48%
Total revenues	<u>17,847,291</u>	<u>15,129,153</u>	18%	<u>13,997,902</u>	<u>8,384,228</u>	67.0%	<u>31,845,193</u>	<u>23,513,381</u>	35%
<b>Expenses and transfers:</b>									
General government	6,409,284	5,892,068	9%	-	-	0%	6,409,284	5,892,068	9%
Public safety	6,434,509	6,316,205	2%	-	-	0%	6,434,509	6,316,205	2%
Transportation	1,937,852	2,414,667	-20%	-	-	0%	1,937,852	2,414,667	-20%
Culture and recreation	539,280	604,816	-11%	-	-	0%	539,280	604,816	-11%
Interest and fiscal charges	438,682	466,622	-6%	-	-	0%	438,682	466,622	-6%
Water and sewer	-	-	0%	15,209,280	9,180,678	66%	15,209,280	9,180,678	66%
Stormwater	-	-	0%	1,398,452	682,664	105%	1,398,451	682,664	105%
Solid Waste	-	-	0%	-	(4,108)	-100%	-	(4,108)	-100%
Red Light Camera Payments	-	-	0%	-	-	0%	-	-	0%
Total expenses	<u>15,759,608</u>	<u>15,694,378</u>	0%	<u>16,607,732</u>	<u>9,859,234</u>	68%	<u>32,367,339</u>	<u>25,553,612</u>	27%
Increase (decrease) in net positions	<u>2,087,683</u>	<u>(565,225)</u>	-469%	<u>(2,609,829)</u>	<u>(1,475,006)</u>	-77%	<u>(522,146)</u>	<u>(2,040,231)</u>	-74%
Net position, beginning	6,358,459	6,924,303	-8%	1,785,862	1,218,088	47%	8,144,321	8,142,391	0%
Prior period adjustment	<u>9,320,129</u>	<u>(619)</u>	-1505761%	<u>14,948,430</u>	<u>2,042,780</u>	632%	<u>24,268,559</u>	<u>2,042,161</u>	1088%
Net position, beginning, as restated	<u>15,678,588</u>	<u>6,923,684</u>	126%	<u>16,734,293</u>	<u>3,260,868</u>	413%	<u>32,412,881</u>	<u>10,184,552</u>	218%
Net positions, ending	<u>\$ 17,766,272</u>	<u>\$ 6,358,459</u>	179%	<u>\$ 14,124,463</u>	<u>\$ 1,785,862</u>	691%	<u>\$ 31,890,736</u>	<u>\$ 8,144,321</u>	292%

The Statement of Activities reflects a 35% increase in overall revenues compared to the prior year. Meanwhile, total expenses rose by 27%.

The governmental activities account for the most significant activities within the City, with program revenues of \$17.8 million. Total overall increase by 18% in governmental activities over the prior year was due to an increase in general government services activities such as charge for services, and other areas such as intergovernmental revenues, franchise fees, and property taxes.

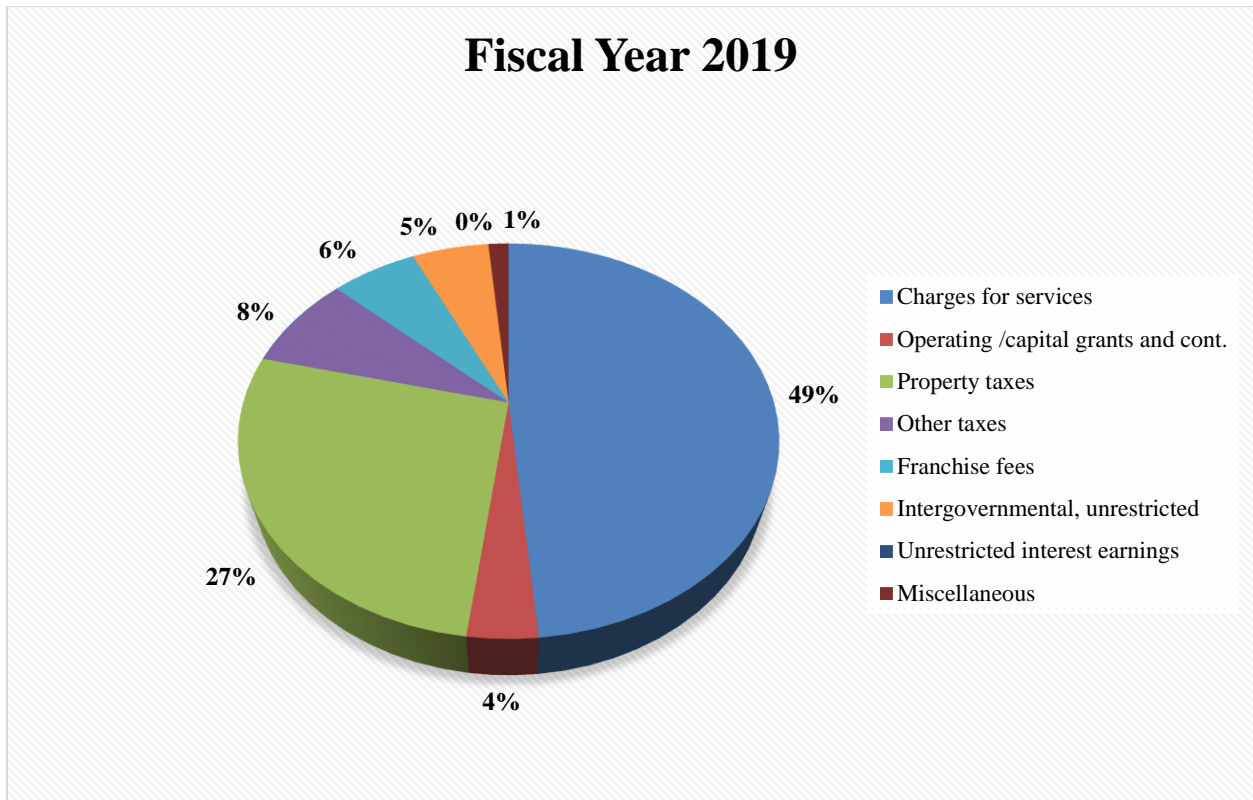
The business-type activities represent water and sewer, solid waste and storm water operations which reflected a \$5.6 million or 67% increase in total revenues. The increase is due to the transitioning of the utility billing operation from the City to Miami Dade County's Water and Sewer Department (WASD), in addition to progressive billings by the City prior to the transitioning.

# CITY OF OPA-LOCKA, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### Sources of Revenue for Fiscal Year 2019



### BUSINESS-TYPE ACTIVITIES

The Business-type Activities are comprised of the Water and Sewer, Solid Waste and Stormwater Fund.

- The total revenues for the Proprietary or Enterprise Fund was approximately \$14 million, which was a 67% increase from the prior year's \$8.4 million. This improvement was the result of a combination of (a) transitioning the water, sewer and stormwater billings to Miami-Dade County Water & Sewer and (b) progressive billing practices within the City prior to the transition of water and sewer billings to Miami-Dade County Water & Sewer.
- The Solid Waste Fund activity is not being managed in house by the City, and is being outsourced to Miami-Dade County.

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

# CITY OF OPA-LOCKA, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FISCAL YEAR ENDED SEPTEMBER 30, 2019

#### ***Governmental Funds***

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's funding requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At September 30, 2019, the City's governmental funds reported combined ending fund balance of \$6.6 million compared to \$4.8 million in the prior year, an increase of \$1.8 million in fund balance associated with transfers of debt service fund balance to the general fund after the release of restrictions, and other miscellaneous correction of errors from prior periods. Most of the remaining fund balance is restricted to indicate that it is not available for new spending because it has already been committed or restricted to pay 1) debt service, 2) transportation and 3) public safety. Additionally, there are restrictions to cash on hand being held associated with the 2015A&B bonds held by City National Bank.

#### ***General Fund***

The General Fund is the chief operating fund of the City. At the end of the current fiscal year the total fund balance equals, negative (\$2.2) million as compared to a negative (\$3.96) million in the prior fiscal year, representing a significant increase due to transfers and reclassification of capital projects improvement debt service funds being properly re-allocated to the general fund related to prior years for funds in excess of debt service pledged to the capital improvement and debt service fund.

Total revenues for the general fund rose by \$2.3 million, or 21%, this is related to increases in property taxes, franchise fees, fines and forfeitures and other financing sources of \$978,660 related to transfers from the capital projects improvement debt service fund in the current year. It is important to note that a large source of state revenue sharing was withheld in fiscal year ending September 30, 2018 and some in September 30, 2019, as a result these funds were not available to the City in accordance with Section 218.63(2), *Florida Statutes*.

#### **Revenue in the general fund is shown in the following schedule:**

<b>General Fund Revenues</b>	<b>2019 Amount</b>	<b>Percent of Total</b>	<b>2018 Amount</b>	<b>Percent of Total</b>	<b>Increase (Decrease) From 2018</b>	<b>Percent of Increase (Decrease)</b>
Property taxes	\$ 7,984,161	60%	\$ 6,734,982	61%	\$ 1,249,179	19%
Utility service taxes	77,475	1%	63,454	1%	14,021	22%
Local option, use and service taxes	-	0%	29,104	0%	(29,104)	-100%
Franchise fees	1,962,804	15%	1,675,728	15%	287,076	17%
Local business taxes	284,844	2%	301,715	3%	(16,871)	-6%
Permits and fees	693,714	5%	737,810	7%	(44,096)	-6%
Intergovernmental	117,711	1%	45,500	0%	72,211	159%
Charges for services	178,402	1%	148,460	1%	29,942	20%
Fines and forfeitures	662,776	5%	548,651	5%	114,125	21%
Interest	-	0%	-	0%	-	0%
Other revenue	460,559	3%	816,080	7%	(355,521)	-44%
Other financial sources	<u>978,660</u>	7%	-	0%	<u>978,660</u>	N/A
Total Revenues	<u>\$ 13,401,106</u>	100%	<u>\$ 11,101,484</u>	100%	<u>\$ 2,299,622</u>	21%

# CITY OF OPA-LOCKA, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FISCAL YEAR ENDED SEPTEMBER 30, 2019

Total expenditures for the general fund increased by \$555,572, representing a 4% increase in expenditures. This increase was comprised of a \$1.48 million increase in general government, and a decrease by \$1.1 million in transportation cost to name a few. Expenditures in the general fund are shown in the following schedule:

<b>General Fund Expenditures</b>	<b>2019 Amount</b>	<b>Percent of Total</b>	<b>2018 Amount</b>	<b>Percent of Total</b>	<b>Increase (Decrease) From 2018</b>	<b>Percent of Increase (Decrease)</b>
General government	\$ 5,586,321	41%	\$ 3,975,884	30%	\$ 1,610,437	41%
Public safety	6,430,103	47%	6,307,538	48%	122,565	2%
Transportation	882,692	6%	1,963,493	15%	(1,080,801)	-55%
Culture and recreation	539,280	4%	604,816	5%	(65,536)	-11%
Debt Service	53,011	0%	76,555	1%	(23,544)	-31%
Capital outlay	201,825	1%	209,374	2%	(7,549)	-4%
Other financing uses	-	0%	-	0%	-	0%
Total expenditures	<u>\$ 13,693,232</u>	100%	<u>\$ 13,137,660</u>	100%	<u>\$ 555,572</u>	4%

### *Proprietary Funds*

- The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position of the water and sewer, storm water, and solid waste funds at the end of the prior year was at a deficit of (\$4.5) million in prior year and is now a deficit of (\$8.2), mainly attributed to an increase in doubtful accounts of more than \$5.1 million in fiscal year 2019. The total net position for the enterprise fund is \$14.1 million in the current year versus a \$1.8 million in the prior year. The net increase is as a result of provisions made for doubtful utility billing, contingencies, and a remeasurement of capital assets.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there were adjustments to the appropriations between the original and final amended budget. Overall, the City's actual total revenues were more than budgeted while overall expenditures were under budget; this created an excess of expenditures over revenues of \$1.2 million.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

The City's investment in capital assets for its governmental and business type activities as of September 30, 2019, amounted to \$61.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and buildings improvements, machinery and equipment, park facilities, roads, and utility systems infrastructure. The City's investment in capital assets rose by \$24.6 million for the current fiscal year, primarily due to additions related to new water meter replacement and installation of \$1.6 million and other additions to capital assets, reductions due to depreciation expense, deletions, adjustments to accumulated depreciation, and a remeasurement of capital assets.

# CITY OF OPA-LOCKA, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FISCAL YEAR ENDED SEPTEMBER 30, 2019

Major capital assets additions during the current fiscal year included the following:

- Construction in progress for Cairo Lane;
- Sewer line projects on Bahman Avenue;
- Meter replacement and installation;
- The milling and resurfacing of portions of the streets listed below:
  - Ahmad Street, Aladdin Street, Jann Avenue, Kalandar Street, N.W. 26<sup>th</sup> Avenue, Opa-locka Blvd and Sinbad Avenue;
- Vehicles, Furniture & Equipment.

#### City of Opa-locka's Capital Assets (Net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 3,613,009	\$ 2,980,457	\$ 14,762	\$ 14,762	\$ 3,627,771	\$ 2,995,219
Construction in progress	2,114,944	2,114,944	4,790,244	4,084,879	6,905,188	6,199,823
Buildings and building improvements	15,514,064	15,213,621	3,928,038	-	19,442,103	15,213,621
Furniture and equipment	621,440	(8,609)	2,702,913	333,405	3,324,352	324,796
Infrastructure	<u>12,073,054</u>	<u>4,888,619</u>	<u>15,756,887</u>	<u>6,884,102</u>	<u>27,829,941</u>	<u>11,772,721</u>
Total	<u>\$ 33,936,512</u>	<u>\$ 25,189,032</u>	<u>\$ 27,192,843</u>	<u>\$ 11,317,148</u>	<u>\$ 61,129,355</u>	<u>\$ 36,506,180</u>

Additional information on the City's capital assets can be found in Note 7 of the note disclosures accompanying this report.

#### ***Debt Administration***

At the end of the current fiscal year the City had total outstanding debt, both current and long-term, of \$48.9 million, exclusive of deferred inflow of resources. For long-term debt note disclosures, see Note 9.

	Governmental Activities		Business-type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenue bonds	\$ 11,906,072	\$ 12,627,334	\$ -	\$ -	\$ 11,906,072	\$ 12,627,334
Capital leases	-	5,463	-	-	-	5,463
Loans, State Revolving	-	-	4,900,621	5,053,667	4,900,621	5,053,667
GASB 68 liability	8,941,473	9,076,099	1,219,292	1,237,650	10,160,765	10,313,749
Liability to Miami-Dade	207,334	214,236	6,790,417	5,356,061	6,997,751	5,570,297
OPEB	331,170	300,161	45,936	41,709	377,106	341,870
Compensated absences	1,779,211	1,750,962	100,228	107,644	-	1,858,606
Legal	<u>252,875</u>	<u>1,296,683</u>	<u>1,070,000</u>	<u>-</u>	<u>-</u>	<u>1,296,683</u>
Total	<u>\$ 23,418,135</u>	<u>\$ 25,270,938</u>	<u>\$ 14,126,494</u>	<u>\$ 11,796,731</u>	<u>\$ 34,342,315</u>	<u>\$ 37,067,669</u>



# CITY OF OPA-LOCKA, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

During fiscal year 2020, the City will be looking at the following programs/initiatives:

- On June 1, 2016, the City of Opa-locka City Commission adopted a Resolution to request a declaration that the City is in a state of financial emergency to seek the appointment of a financial emergency board and other assistance pursuant to section 218.503(1), Florida Statutes. The State of Florida, Office of the Governor, issued Executive Order 16-135, signed by Florida Governor Rick Scott. In 2020 and moving forward, the City will be looking to improve and enhance its operational and financial controls and has made significant strides since then.
- Development of key audit schedules and documentation to begin the external audit work for fiscal year 2019 and beyond. Additional temporary accounting and audit staff were engaged to assist with completion of this task.
- Four of 19 pump stations remain out of compliance with Miami-Dade County's ("County") Department of Environmental Resources Management (DERM). These are stations 4, 5, 7, and 8. Gravity system lining has been completed in all of these service areas to mitigate infiltration, the City will then follow with rehabilitating all of the manholes; after which flow testing will be conducted to ensure compliance with the Miami-Dade County code.
- The County's Public Housing and Community Development provided the City with a second allocation of funds, in the amount of \$250,000 to bring the 2105 Ali Baba Avenue Cultural Arts Center into full compliance with ADA requirements. This will include renovations to parking lot.
- In August of 2019, Intercounty Engineering mutually terminated the contract with the City of Opa-locka for the improvement of Cairo Lane and NW 127 Street; the project stands at 64% complete. The City met with the Florida Department of Environmental Protection (FDEP) to ensure there would be adequate funding to complete the project. It was at this time that the state required the City to retain the services of a professional engineer to ensure that the project design would be adequate for construction, and evaluate all constructed aspects of the project. This evaluation is in progress and the project should be going out for bid in February 2022.
- For fiscal year 2020-2021, residential development will begin to experience an uptick in the City of Opa-locka. Several homes have been rehabbed with new windows, doors, and roofs through the PACE Energy Improvement Program. Three new houses were built with a few more in planning phase in the South Area of Town Center bounded by Opa-locka Boulevard to the Northeast, the CSX Railroad ROW to the Northwest and Atlantic Street to the South between NW 27<sup>th</sup> Avenue and Sesame Street. One house was an infill project built on a former City owned surplus vacant lot at 825 Superior Street. Two houses at 931 and 951 Superior Street were built on a site where the Historic King Truck Factory once stood. The 1930 structure was demolished in 2017 after years of neglect and fire took inside of the historic structure. In the Magnolia North area, the City is working with Miami-Dade County's Infill Housing Project team members for development located within the boundaries of NW 22<sup>nd</sup> Avenue and Ali-Baba to NW 151<sup>st</sup> Street to the railroad tracks. Seventeen [17] vacant properties have been assigned for residential development. Miami-Dade County's Public Housing and Community Development (PHCD) is working with City staff to develop these properties. Palmetto Homes is one of the developers selected by Miami-Dade County [per recommendation by PHCD] to build residential and mixed use development in the Magnolia North area. Two-twin homes [4 units] are under construction and are scheduled to be completed by the end of fiscal year 2021. This company has four more nearby sites to be built on during fiscal year 2021-23. Cazo has two

# CITY OF OPA-LOCKA, FLORIDA

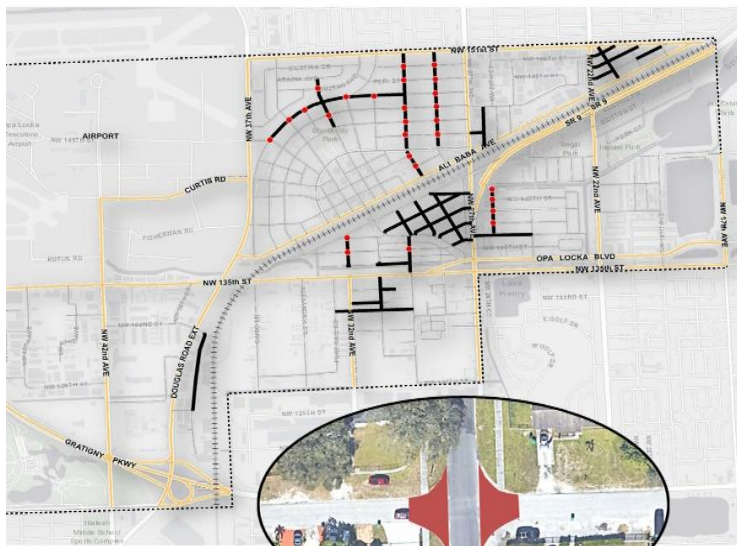
## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FISCAL YEAR ENDED SEPTEMBER 30, 2019

projects planned for development, one is four twin houses [8-units] for homeownership, and the other is a 42-unit elderly assisted living apartment complex. The City of Opa-locka recently transferred ownership of 11 vacant parcels in the Magnolia North Area and is working with private developers to produce residential and mixed use projects. The 11 vacant City owned properties in Magnolia North were proffered as part of a settlement agreement. The properties with deed restriction and reverter clause with Miami-Dade County were resolved per legislation by the City of Opa-locka Commission's approval of a resolution for the deed restriction to be modified for residential development. Miami-Dade County's Board of County Commissioners also approved this deed amendment. The legal settlement is almost complete, and Opa-locka PCD staff will be meeting with the new owners/developers to determine what will be built on these sites. In the Oasis Neighborhood just across the lake from Magnolia Gardens, 112-units of townhouse cluster homes are being developed as part of the final phase of a development called Mirage of Sailboat Cove. What originally started as 59 units for homeowners in 2005, will now include a phase of affordable workforce rentals, of which 24 units recently received their certificate of occupancy and the remaining units are scheduled to be completed by the end of fiscal year 2021. Once complete, Mirage at Sailboat Cove will total 171 units, all two story three and four bedroom units with 2.5 bath. Commercial and industrial projects are being planned.

- Work to expand the City's online services to allow residents to access an e-commerce platform, is ongoing, and anticipated to be complete and released during fiscal year 2019. The migration of water billing to Miami-Dade County's Water and Sewer Department (WASD) has allowed the City to refocus the online portal portion of the website to other online services. The City Clerk's Office in conjunction with the Information Technology Department has created an online portal which allows the public access to official City documents through the website. Additionally, the ability to submit building plans via the portal was enabled. A data cleanup is still underway in the Building Department which is necessary to complete the ability to have access to permit applications and status updates online.

## MILLING AND RESURFACING PAVEMENT AT INTERSECTING STREETS - 2020



▬ Milling And Resurfacing Detail



Milled Street \ Intersecting Street	
<b>1. JANN AVE.</b>	
Bagdad Ave.	Perviz Ave.
Banu St.	Sinbad Ave.
Codadad St.	Ahmad St.
<b>2. BAHMAN AVE.</b>	
Sultan Ave.	Sharar Ave.
<b>3. AHMAD ST.</b>	
Kasim St.	Peri St.
Sharar Ave.	Dunad Ave.
Sesame St.	Salih St.
Fisherman St.	
<b>4. KALANDAR ST.</b>	
Kasim St.	Peri St.
Jann Ave.	Sharar Ave.
Dunad Ave.	Sesame St.
<b>5. ALADDIN ST.</b>	
West Dr.	Superior St.
<b>6. SINBAD AVE.</b>	
Superior St.	
<b>7. NW 26<sup>th</sup> Ave.</b>	
NW 141 <sup>st</sup> St.	NW 140 <sup>th</sup> St.
Wilmington St.	York St.

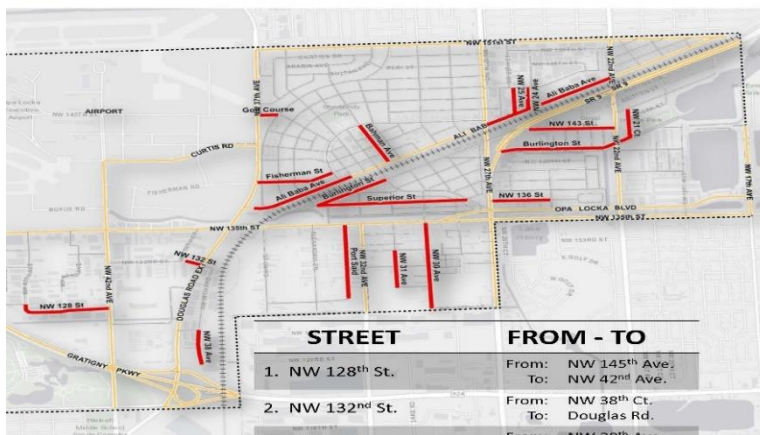
# CITY OF OPA-LOCKA, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FISCAL YEAR ENDED SEPTEMBER 30, 2019

Plans for milling and resurfacing of the City's roadways were a continued priority during fiscal year 2018. There was approximately 10 miles of roadway that were in need of improvement, of which 7 miles were completed during fiscal year 2019 and 3 miles are pending completion. Due to the magnitude of trucking and other traffic throughout the City, this is an ongoing project. (See attached milling and resurfacing plan.)


MILLING & RESURFACING  
PHASE 4 (6.5 miles) 2020




STREET	FROM - TO
1. NW 128 <sup>th</sup> St.	From: NW 145 <sup>th</sup> Ave. To: NW 42 <sup>nd</sup> Ave.
2. NW 132 <sup>nd</sup> St.	From: NW 38 <sup>th</sup> Ct. To: Douglas Rd.
3. NW 38 <sup>th</sup> Ave.	From: NW 38 <sup>th</sup> Ave. To: End of Street
4. Golf Course Blvd.	From: NW 37 <sup>th</sup> Ave. To: Jann Ave.
5. Bahman Ave.	From: Sharazad Blvd. To: Ali Baba Ave.
6. Fisherman St.	From: Douglas Rd. To: Sharazad Blvd.
7. Ali Baba Ave.	From: Douglas Rd. To: Aladdin St.
8. Burlington St.	From: Superior St. To: Opa-Locka Blvd.
9. Superior St.	From: Burlington St. To: Opa-Locka Blvd.
10. Port Said Rd.	From: Port Said Rd. To: NW 127 <sup>th</sup> St.
11. NW 31 <sup>st</sup> Ave.	From: NW 132 <sup>nd</sup> Ter. To: NW 129 <sup>th</sup> St.
12. NW 30 <sup>th</sup> Ave.	From: NW 135 <sup>th</sup> St. To: NW 127 <sup>th</sup> St.
13. NW 25 <sup>th</sup> Ave.	From: NW 147 <sup>th</sup> St. To: Ali Baba Ave.
14. NW 24 <sup>th</sup> Ave.	From: NW 147 <sup>th</sup> St. To: Ali Baba Ave.
15. Ali Baba Ave.	From: NW 27 <sup>th</sup> Ave. To: NW 22 <sup>nd</sup> Ave.
16. NW 143 <sup>rd</sup> St.	From: Service Rd. To: NW 22 <sup>nd</sup> Ave.
17. Burlington St.	From: SR 9 To: NW 21 <sup>st</sup> Ct.
18. NW 21 <sup>st</sup> Ct.	From: Burlington St. To: End of Street
19. NW 136 <sup>th</sup> St.	From: NW 27 <sup>th</sup> Ave. To: NW 24 <sup>th</sup> Ave.

These factors were considered in preparing the City of Opa-locka's budget for fiscal years 2018-2019 and 2019-2020.

### Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to The City of Opa-locka, Finance Department, 780 Fisherman Street 4th Floor, Opa-locka, Florida 33054. A copy of this report will also be available.

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## **BASIC FINANCIAL STATEMENTS**

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# CITY OF OPA-LOCKA, FLORIDA

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2019

	<b>Governmental Activities</b>	<b>Proprietary Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 3,098,320	\$ 2,275,445	\$ 5,373,765
Accounts receivable, net	551,128	3,483,324	4,034,453
Internal balance	1,360,506	(1,360,506)	-
Due from other governments	2,514,023	290,564	2,804,586
Prepays and other	6,363	29,149	35,512
Restricted cash and cash equivalents	<u>5,273,963</u>	<u>1,447,285</u>	<u>6,721,247</u>
Total current assets	<u>12,804,303</u>	<u>6,165,261</u>	<u>18,969,564</u>
Non-current assets:			
Capital assets not being depreciated	5,727,953	4,805,006	10,532,957
Capital assets being depreciated	<u>28,208,559</u>	<u>22,387,837</u>	<u>50,596,396</u>
Total non-current assets	<u>33,936,512</u>	<u>27,192,843</u>	<u>61,129,355</u>
Total assets	<u>46,740,815</u>	<u>33,358,104</u>	<u>80,098,919</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Pension (See Note 9)	<u>3,049,245</u>	<u>415,806</u>	<u>3,465,051</u>
Total deferred outflow of resources	<u>3,049,245</u>	<u>415,806</u>	<u>3,465,051</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	3,362,816	1,305,901	4,668,717
Due to other governments	2,781,157	342,249	3,123,407
Customer deposits	<u>33,795</u>	<u>3,543,727</u>	<u>3,577,522</u>
Total current liabilities	<u>6,177,768</u>	<u>5,191,877</u>	<u>11,369,645</u>
Non-current liabilities:			
Due within one year:			
Compensated absences	177,921	10,023	187,944
Debt related to capital acquisitions	797,140	638,934	1,436,074
Other long term debt	40,472	1,013,185	1,053,657
Due in more than one year:			
Compensated absences	1,601,290	90,205	1,691,495
Contingencies	252,875	1,070,000	1,322,875
OPEB obligation	331,170	45,937	377,107
Debt related to capital acquisitions	11,108,931	4,261,687	15,370,619
Pension (See Note 9)	8,941,473	1,219,292	10,160,764
Other long term debt	<u>166,862</u>	<u>5,777,233</u>	<u>5,944,095</u>
Total non-current liabilities	<u>23,418,134</u>	<u>14,126,495</u>	<u>37,544,629</u>
Total liabilities	<u>29,595,902</u>	<u>19,318,372</u>	<u>48,914,274</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Pension (See Note 9)	<u>2,427,886</u>	<u>331,075</u>	<u>2,758,961</u>
Total deferred inflow of resources	<u>2,427,886</u>	<u>331,075</u>	<u>2,758,961</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	22,030,441	22,292,222	44,322,663
Restricted for:			
CRA	779,900	-	779,900
Public safety	670,731	-	670,731
Transportation	1,130,655	-	1,130,655
Capital projects	156,461	-	156,461
Debt service	6,101,588	-	6,101,588
Unrestricted	<u>(13,103,503)</u>	<u>(8,167,759)</u>	<u>(21,271,262)</u>
Total Net Position	<u>\$ 17,766,272</u>	<u>\$ 14,124,463</u>	<u>\$ 31,890,735</u>

See notes to basic financial statements.

# CITY OF OPA-LOCKA, FLORIDA

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

<b>Functions / Programs</b>	<b>Program Revenues</b>				<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Proprietary Activities</b>	<b>Total</b>
<b>Governmental activities:</b>							
General government	\$ 6,409,283	\$ 881,426	\$ -	\$ -	\$ (5,527,857)	\$ -	\$ (5,527,857)
Public safety	6,434,509	662,776	-	-	(5,771,733)	-	(5,771,733)
Transportation	1,937,852	-	-	-	(1,937,852)	-	(1,937,852)
Culture and recreation	539,280	-	-	-	(539,280)	-	(539,280)
Interest on long term debt	438,682	-	-	-	(438,682)	-	(438,682)
Total governmental activities	15,759,606	1,544,202	-	-	(14,215,404)	-	(14,215,404)
<b>Proprietary activities:</b>							
Water and sewer	15,209,280	12,374,987	-	81,652	-	(2,752,642)	(2,752,642)
Stormwater	1,398,451	1,535,691	-	-	-	137,240	137,240
Solid waste	-	-	-	-	-	-	-
Total proprietary activities	16,607,732	13,910,678	-	81,652	-	(2,615,402)	(2,615,402)
Total	\$ 32,495,316	\$ 15,454,880	\$ -	\$ 81,652	(14,215,404)	(2,615,402)	(16,830,806)
<b>General revenues</b>							
					8,539,449	-	8,539,449
					1,962,804	-	1,962,804
					1,541,065	-	1,541,065
					399,446	-	399,446
					316,921	-	316,921
					284,844	-	284,844
					2,797,968	-	2,797,968
					33	24	56
					460,559	5,549	466,108
Total general revenues and transfers					16,303,089	5,573	16,308,661
					2,087,684	(2,609,829)	(522,145)
					6,358,459	1,785,876	8,144,335
					2,302	795,046	797,348
					9,317,827	14,153,370	23,471,198
					15,678,588	16,734,292	32,412,881
					\$ 17,766,272	\$ 14,124,463	\$ 31,890,735

See notes to basic financial statements

# CITY OF OPA-LOCKA, FLORIDA

## BALANCE SHEET — GOVERNMENTAL FUNDS

SEPTEMBER 30, 2019

	<u>General Fund</u>	<u>Capital Projects Improvement Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,965,326	\$ -	\$ 1,132,994	\$ 3,098,320
Accounts receivable, net	442,756	108,372	-	551,128
Due from other funds	23,981,253	4,648,694	5,397,093	34,027,039
Due from other governments	-	342,328	2,171,694	2,514,023
Prepays and other	6,363	-	-	6,363
Restricted cash and cash equivalents	<u>759,354</u>	<u>4,445,504</u>	<u>69,104</u>	<u>5,273,963</u>
Total current assets	<u>27,155,052</u>	<u>9,544,899</u>	<u>8,770,885</u>	<u>45,470,836</u>
 Total assets	 <u>\$ 27,155,052</u>	 <u>\$ 9,544,899</u>	 <u>\$ 8,770,885</u>	 <u>\$ 45,470,836</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 2,994,778	\$ -	\$ 368,039	\$ 3,362,816
Due to other funds	23,558,122	3,443,311	5,665,100	32,666,533
Due to other governments	2,781,157	-	-	2,781,157
Customer deposits	<u>33,795</u>	<u>-</u>	<u>-</u>	<u>33,795</u>
Total current liabilities	<u>29,367,852</u>	<u>3,443,311</u>	<u>6,033,138</u>	<u>38,844,301</u>
 Total liabilities	 <u>29,367,852</u>	 <u>3,443,311</u>	 <u>6,033,138</u>	 <u>38,844,301</u>
<b>NET POSITION</b>				
Non-spendable:				
Prepays and other	6,363	-	-	6,363
Restricted for:				
CRA	-	-	779,900	779,900
Public safety	-	-	670,731	670,731
Transportation	-	-	1,130,655	1,130,655
Capital projects	-	-	156,461	156,461
Debt service	-	6,101,588	-	6,101,588
Unrestricted	<u>(2,219,163)</u>	<u>-</u>	<u>-</u>	<u>(2,219,163)</u>
Total Fund Balances	<u>(2,212,800)</u>	<u>6,101,588</u>	<u>2,737,747</u>	<u>6,626,535</u>
Total Liabilities and Fund Balances	<u>\$ 27,155,052</u>	<u>\$ 9,544,899</u>	<u>\$ 8,770,885</u>	<u>\$ 45,470,836</u>

See notes to basic financial statements.

# CITY OF OPA-LOCKA, FLORIDA

## RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2019

Fund balances - total governmental funds \$ 6,626,535

Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the governmental funds.

Government capital assets net of accumulated depreciation	\$ 33,936,512	
Long-term debt	(11,906,071)	
Pension liability	(8,941,473)	
Compensated absences	(1,779,211)	
Other post-employment benefits	(331,170)	
Deferred inflow of resources	(2,427,886)	
Deferred outflow of resources	3,049,245	
Accrued legal settlement	(252,875)	
Other long term debt	<u>(207,334)</u>	
Net adjustment		<u>11,139,738</u>
Net position of governmental activities		\$ <u>17,766,272</u>

See notes to basic financial statements.



# CITY OF OPA-LOCKA, FLORIDA

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<b>General Fund</b>	<b>Capital Projects Improvement Debt Service</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Property taxes	\$ 7,984,161	\$ -	\$ 555,288	\$ 8,539,449
Utility taxes	77,475	1,463,590	-	1,541,065
Communication services taxes	-	399,446	-	399,446
Local option, use and fuel taxes	-	-	316,921	316,921
Local business taxes	284,844	-	-	284,844
Franchise fees	1,962,804	-	-	1,962,804
Permits and fees	693,714	-	-	693,714
Intergovernmental	117,711	1,665,617	1,014,641	2,797,968
Charges for services	178,402	-	9,310	187,712
Fines and forfeitures	662,776	-	-	662,776
Interest	-	33	-	33
Other	<u>460,559</u>	<u>-</u>	<u>-</u>	<u>460,559</u>
Total revenues	<u>12,422,446</u>	<u>3,528,685</u>	<u>1,896,159</u>	<u>17,847,291</u>
<b>EXPENSES</b>				
Current:				
General government	5,586,321	8,007	66,660	5,660,988
Public safety	6,430,103	-	4,406	6,434,509
Transportation	882,692	-	1,055,160	1,937,852
Culture and recreation	539,280	-	-	539,280
Debt service:				
Principal	53,011	771,488	-	824,499
Interest	-	438,682	-	438,682
Capital Outlay	<u>201,825</u>	<u>-</u>	<u>-</u>	<u>201,825</u>
Total expenses	<u>13,693,232</u>	<u>1,218,177</u>	<u>1,126,226</u>	<u>16,037,635</u>
Excess (deficiency) of revenues over expenditures	(1,270,785)	2,310,508	769,933	1,809,656
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	978,660	-	-	978,660
Transfer out	<u>-</u>	<u>(978,660)</u>	<u>-</u>	<u>(978,660)</u>
Total other financing sources (uses)	<u>978,660</u>	<u>(978,660)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(292,125)	1,331,848	769,933	1,809,656
Fund balances, beginning	(3,964,529)	6,583,852	2,195,254	4,814,577
Prior period adjustment	2,043,855	(1,814,112)	(227,440)	2,302
Fund balances, beginning restated	<u>(1,920,674)</u>	<u>4,769,740</u>	<u>1,967,814</u>	<u>4,816,879</u>
Fund balances, ending	<u>\$ (2,212,800)</u>	<u>\$ 6,101,588</u>	<u>\$ 2,737,747</u>	<u>\$ 6,626,535</u>

See notes to basic financial statements.

# CITY OF OPA-LOCKA, FLORIDA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 1,809,656
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital outlays	218,612	
Net effect of various transactions involving capital assets	(42,234)	
Less current depreciation	<u>(788,951)</u>	(612,573)

Issuance of long term debt (e.g., bonds leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

775,852

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These activities consist of:

Change in deferred inflows and outflows relating to pensions and the net pension liability	(869,801)	
Change in legal accrual	1,043,808	
Change in other post-employment benefits	(31,009)	
Change in compensated absences	<u>(28,249)</u>	
		<u>114,749</u>

<b>Change in net position - governmental activities</b>	<b><u>\$ 2,087,684</u></b>
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See notes to basic financial statements.

# CITY OF OPA-LOCKA, FLORIDA

## STATEMENT OF NET POSITION — PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Water and Sewer</u>	<u>Other Nonmajor Enterprise Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 253,188	\$ 2,022,257	\$ 2,275,445
Accounts receivable, net	3,135,540	347,785	3,483,324
Due from other funds	5,255,051	2,396,209	7,651,260
Due from other governments	252,050	38,514	290,564
Prepays and other	29,149	-	29,149
Restricted cash and cash equivalents	<u>1,337,285</u>	<u>110,000</u>	<u>1,447,285</u>
Total current assets	<u>10,262,262</u>	<u>4,914,765</u>	<u>15,177,027</u>
Non-current assets:			
Capital assets, non-depreciable	4,515,949	289,056	4,805,006
Capital assets, depreciable	<u>22,355,847</u>	<u>31,990</u>	<u>22,387,837</u>
Total non-current assets	<u>26,871,796</u>	<u>321,046</u>	<u>27,192,843</u>
 Total assets	 <u>37,134,058</u>	 <u>5,235,810</u>	 <u>42,369,870</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Pension	<u>415,806</u>	<u>-</u>	<u>415,806</u>
Total deferred outflow of resources	<u>415,806</u>	<u>-</u>	<u>415,806</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	1,041,137	264,764	1,305,901
Due to other funds	5,989,781	3,021,985	9,011,766
Due to other governments	342,249	-	342,249
Customer deposits	3,479,583	64,145	3,543,727
Current portion of long term debt	<u>638,934</u>	<u>-</u>	<u>638,934</u>
Total current liabilities	<u>11,491,684</u>	<u>3,350,893</u>	<u>14,842,577</u>
Non-current liabilities:			
Compensated absences	71,917	28,311	100,228
Contingencies	1,070,000	-	1,070,000
OPEB obligation	41,942	3,996	45,937
Debt related to capital acquisitions	4,261,687	-	4,261,687
Pension	1,219,292	-	1,219,292
Other long term debt	<u>6,259,446</u>	<u>530,972</u>	<u>6,790,418</u>
Total non-current liabilities	<u>12,924,283</u>	<u>563,278</u>	<u>13,487,561</u>
 Total liabilities	 <u>24,415,967</u>	 <u>3,914,171</u>	 <u>28,330,138</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Pension	<u>331,075</u>	<u>-</u>	<u>331,075</u>
Total deferred inflow of resources	<u>331,075</u>	<u>-</u>	<u>331,075</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	21,971,176	321,046	22,292,222
Unrestricted	<u>(9,168,353)</u>	<u>1,000,594</u>	<u>(8,167,759)</u>
Total Net Position	<u>\$ 12,802,824</u>	<u>\$ 1,321,639</u>	<u>\$ 14,124,463</u>

See notes to basic financial statements.

# CITY OF OPA-LOCKA, FLORIDA

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION — PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<b>Business-Type Activities-Enterprise Funds</b>		
	<b>Water and Sewer</b>	<b>Other Nonmajor Enterprise Funds</b>	<b>Total</b>
Operating revenues:			
Charges for services	\$ 12,374,987	\$ 1,535,691	\$ 13,910,678
Intergovernmental	81,652	-	81,652
Other	<u>5,549</u>	<u>-</u>	<u>5,549</u>
Total operating revenues	<u>12,462,187</u>	<u>1,535,691</u>	<u>13,997,878</u>
Operating expenses:			
Operating, administrative and maintenance	10,056,961	706,472	10,763,433
Bad debts and other	4,460,908	691,979	5,152,887
Depreciation	<u>691,411</u>	<u>-</u>	<u>691,411</u>
Total operating expenses	<u>15,209,280</u>	<u>1,398,451</u>	<u>16,607,732</u>
Operating income (loss)	(2,747,093)	137,240	(2,609,853)
Non-operating revenues (expenses)			
Interest and fiscal charges	<u>24</u>	<u>-</u>	<u>24</u>
Total non-operating revenues (expenses)	<u>24</u>	<u>-</u>	<u>24</u>
Income before transfers	(2,747,069)	137,240	(2,609,829)
Change in net position	(2,747,069)	137,240	(2,609,829)
Net position, beginning as previously stated	743,861	1,042,015	1,785,876
Prior period adjustment	<u>652,662</u>	<u>142,384</u>	<u>795,046</u>
Subsequent event, capital assets net effect	<u>14,153,320</u>	<u>-</u>	<u>14,153,320</u>
Net position, beginning restated	<u>1,396,523</u>	<u>1,184,399</u>	<u>2,580,922</u>
Net position, ending	<u>\$ 12,802,824</u>	<u>\$ 1,321,639</u>	<u>\$ 14,124,463</u>

See notes to basic financial statements.

# CITY OF OPA-LOCKA, FLORIDA

## STATEMENT OF CASH FLOWS —PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities- Enterprise Funds		
	Water and Sewer	Other Nonmajor Enterprise Funds	Total
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 9,348,621	\$ 1,132,107	\$ 10,480,728
Cash paid to vendors	(8,611,817)	(619,661)	(9,231,478)
Cash paid to employees	(716,323)	(84,047)	(800,370)
Receipts from other government	-	5,924	5,924
Net cash provided by operating activities	20,481	434,323	454,804
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(819,697)	-	(819,697)
Interest paid on long term debt	(23,767)	(2,764)	(26,531)
Proceeds from debt	587,750	-	587,750
Principal paid on debt	(906,440)	-	(906,440)
Net cash used in capital and related financing activities	(1,162,154)	(2,764)	(1,164,918)
<b>Cash flows from noncapital financing activities:</b>			
<b>Grants received</b>	81,651	-	81,651
<b>Transfer from (to) other funds</b>	-	398,864	398,864
Net cash provided by noncapital financing activities	81,651	398,864	480,515
<b>Cash flows from investing activities:</b>			
Interest income	24	-	24
Net cash provided by investing activities	24	-	24
Net increase (decrease) in cash	(1,059,998)	830,423	(229,575)
Cash, beginning	2,650,471	1,301,834	3,952,305
Cash, ending	1,590,473	2,132,257	3,722,730
<b>Display as:</b>			
Unrestricted	253,188	2,022,257	2,275,445
Restricted	1,337,285	110,000	1,447,285
Total	\$ 1,590,473	\$ 2,132,257	\$ 3,722,730
<b>Reconciliation of operating income to cash provided by operating activities:</b>			
Operating income (loss)	\$ (2,747,069)	\$ 137,240	\$ (2,609,829)
Adjustment to reconciled operating income to net cash provided by (used in) operating activities:			
Depreciation expenses	691,411	-	691,411
Retired asset	(39,201)	-	(39,201)
Other, net	(895,122)	-	(895,122)
(Increase) decrease in:			
Accounts receivable	212,736	180,025	392,761
Due from other governments	272,983	5,924	278,907
Due from other funds	(1,280,105)	(163,687)	(1,443,792)
Other current assets	57,672	-	57,672
Deferred outflow of resources	122,696	-	122,696
Increase (decrease) in:			
Accounts payable and accrued liabilities	(530,730)	43,148	(487,582)
Customer deposits	930,681	(727)	929,954
Compensated absences	3,992	(11,408)	(7,416)
Other liabilities and pension	2,354,102	(16,921)	2,337,181
Due to other funds	543,084	260,729	803,813
Deferred inflow of resources	14,270	-	14,270
Due to other governments	309,081	-	309,081
Net cash provided by operating activities	\$ 20,481	\$ 434,323	\$ 454,804

See notes to basic financial statements.

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## **NOTES TO FINANCIAL STATEMENTS**

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# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Opa-locka, Florida (the “City”) in Miami-Dade County, Florida (the “County”) was incorporated in 1926 by the Laws of Florida Chapter 13187. The City comprises approximately 4.5 square miles of land and operates under a Commission/City Manager form of government and provides municipal services to its residents, including general government, public safety, transportation, and parks and recreation. The City also operates water, sewer, and storm water enterprises.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America the Generally Accepted Accounting Principles (GAAP) as applied to governmental units. This report, the accounting systems, and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

#### **A. Reporting Entity**

The financial reporting entity covered by this report includes the City and its component unit. The reporting entity has been defined in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Section 2100. The accompanying financial statements include those of the City (the primary government) and those of its component unit. Component units are legally separate organizations for which the primary government is financially accountable or organizations which should be included in the City’s financial statements because of the nature and significance of their relationship with the primary government. GASB Codification of Governmental Accounting and Financial Reporting Standards Section 2100 provides guidance for the inclusion of a legally separate entity as a component unit of an entity. The application of this guidance provides for identification of entities for which the City is financially accountable or organizations that the nature and significance of their relationship with the City are such that exclusions would cause the City’s basic financial statements to be misleading or incomplete.

Based upon the application of GASB Codification Section 2100, the component units listed below have been included in the City’s reporting entity as either blended or discretely presented component units.

Blended component units, although legally separate entities, are in substance part of the City’s operations. Accordingly, data from these component units are included with data of the primary government. A discretely presented component unit, on the other hand, is reported in a separate column in the financial statements to emphasize that they are legally separate from the City. The financial balances and activities of the blended component unit are as of and for the year ended September 30, 2019.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### A. Reporting Entity (cont'd)

##### *Blended Component Units*

Blended component units are separate legal entities that meet the component unit criteria described and whose government body is the same, or substantially the same and 1) there is a financial benefit or burden relationship between the primary government and the component unit or 2) management below the level of the governing board of the primary government has operational responsibility for a component unit.

The Opa-locka Community Redevelopment Agency (CRA) is a dependent special district established by the City Commission in 2011 and approved by Miami-Dade County in 2013 under the authority granted by Florida Statute 163, section III. The CRA is a legal subsidiary governed by a seven member board appointed by the City Commission, the Miami-Dade County, District One Commissioner, and the Office of the Governor. The Board currently is comprised of the Mayor, Vice-mayor, and three City Commissioners, and an appointee from the Miami-Dade County Commissioner and the Florida Governor's Office. Its sole purpose is to finance the City's designed redevelopment areas through Tax Increment Financing (TIF). The CRA can provide services and financial benefits/assistance to imposed financial burdens on the City.

The CRA continued to operate in a limited-active phase based on limited tax increment funds produced by ad valorem taxes. For the fiscal year ended September 2019, there was approximately \$555,288 in revenues other than transfers from the General Fund. Although the CRA activities did not meet the major fund criteria, the CRA's financial data is presented within the City's major governmental funds in order to comply with the audit requirements of F.S. 163.387(8) and is part of non-major governmental funds. No separate financial statements are issued.

Effective for the 2019-2020 fiscal year, the Florida Legislature enacted Chapter 2019-163, Laws of Florida, which amended Section 163.387(8), Florida Statutes, to require that each community redevelopment agency (CRA) meeting the specified \$100,000 threshold provide for a separate audit and that the resultant audit report accompany the municipality annual financial report filed with the Department of Finance Services (see Section 163.387(8)(c) and 218.32(3)(b), Florida Statutes). Based on this guidance, the CRA will be separate from the audit of the City, but if a component unit, the CRA will be part of the reporting entity.

##### *Special District*

The City passed ordinances in prior years establishing various neighborhood improvement districts. The following neighborhood improvement districts, which are considered to be component units of the City, are included in the non-major governmental fund financial statements. No separate financial statements are issued.

- 1) East-West Neighborhood Improvement District
- 2) Ali-Baba Neighborhood Improvement District
- 3) Niles Garden Neighborhood Improvement District



# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and statement of activities) report information on all of the activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use of directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

Inconsequential differences may occur due to rounding in calculating totals in the basic and supplemental financial schedules.

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period, with the exception of expenditure driven (reimbursements) grants, for which the availability period is one year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

Property taxes, sales taxes, utility taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The financial transactions of the City are recorded in individual funds. The operations of each fund are accounted for using a separate set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, revenue and expenditure or expenses. Fund accounting is designed to demonstrate legal compliances and to aid financial management by segregating transactions related to certain government functions or activities. Accounting principles generally accepted in the United States of America set forth minimum criteria for determination of major funds based on the percentage of the applicable category balances. The non-major funds are presented in one column in the respective fund financial statements.

The City reports the following major governmental funds:

The **General Fund** is the general operation fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Capital Improvement Debt Service Fund** is used to account for the sinking fund requirements of the Series 2011 A&B Capital Improvement Revenue Bonds.

The City reports the following major proprietary funds:

The **Water and Sewer Fund** is used to account for the operation and maintenance of the City's water and sewer system.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer, solid waste and storm water enterprise funds, are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Immaterial differences may occur due to rounding.

#### D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance

##### 1. Encumbrances

Encumbrances accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to serve that portion of the applicable appropriation, is employed in the General and Capital Projects Funds. Encumbrances outstanding at the balance sheet date are canceled.

##### 2. Deposits and Investments

The City considers cash on hand, cash with fiscal agents, demand deposits, and certificates of deposit with and original maturity of (90) ninety days or less to be cash and cash equivalents.

For purposes of the statement of cash flows for proprietary fund types fund, all highly liquid investments (including restricted assets) with maturity of three months or less when purchased are considered to be cash equivalents.

Investments, consisting of U.S. Government securities, and certificates of deposit with financial institutions, are stated at cost plus accrued interest.

##### 3. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. The City calculates its allowance for uncollectible using historical collection data, specific account analysis, and management's judgment. Major receivables balances for the governmental activities include franchise fees and utility taxes, and amounts due from other governments. Business-type activities report utility billings as major receivables.

##### 4. Restricted Assets

Restricted assets include cash and cash equivalents of the governmental and enterprise funds that are legally restricted as to their use. Cash and cash equivalents are restricted for debt service, customers' deposits, revenue bond requirement, and sewer system improvements.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance (cont'd)

##### 5. Capital Assets

Capital assets, including land, buildings, improvements, infrastructure, and equipment assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 and an initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extended the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Buildings, improvements, infrastructure, and equipment assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Building Improvements	10-50
Infrastructure Systems	30
Equipment	3-10
Vehicles	3-10

##### 6. Inter-fund Transactions

Activities between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as “due to/from other funds” or “advances to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Non-current portions of long-term inter-fund loan receivables are reported as advances within the governmental funds, and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources, and therefore, are not available for appropriation.

Transactions among City funds that would be treated as revenues and expenditures or expenses if they involve organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance (cont'd)

##### 6. Inter-fund Transactions (cont'd)

Transactions that constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund. Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

##### 7. Deferred Outflows of Resources

The statement of net position includes a separate section, listed below Total Assets, for Deferred Outflows of Resources. This represents the usage of net position applicable to future periods and will not be recognized as expenditures until the future period to which it applies. Items in this category include deferred items related to pension and the deferred charge on refunding reported on the Government-wide Statement of Net Position. A deferred charge is the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt.

##### 8. Unearned Revenues

Unearned revenue is recorded for governmental fund receivables that are measurable and available, but have not met the criteria for revenue recognition, such as donations or grants received for specific projects. These are recorded as unearned revenue in the government-wide and fund statements.

##### 9. Compensated Absences

It is the City's policy to permit employees to accumulate, with certain limits, earned but unused vacation time and sick leave hours for subsequent use or for payment upon termination, death, or retirement. For government-wide statements and proprietary fund types, these accumulations are recorded as expenses and liabilities of the appropriate fund in the fiscal year earned. For governmental fund types, the amount of accumulated unpaid vacation and sick leave that is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance (cont'd)

##### 10. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable premium or discount. These premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bond issuance costs are expensed in the year they are incurred.

##### 11. Deferred Inflows of Resources

The Statement of Net Position includes a separate section, listed below Total Liabilities, for Deferred Inflows of Resources. This represents the acquisition of net position applicable to future periods and will not be recognized as revenue until the future period to which it applies. In the governmental funds, this category includes unavailable revenue, whereas in the government-wide and the proprietary fund statements. It includes resources related to pension, which will be recognized as inflows of resources in the period that the amounts become available.

##### 12. Net Position and Fund Balance

Net position in the government-wide and proprietary funds is categorized as net investment in capital assets; restricted or unrestricted. Net investment in capital assets is the difference between the cost of capital assets, less accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets plus unspent bond proceeds.

Restricted balances consist of net position with constraints placed on their use by external parties (creditors, grantors, contributors, laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted balances indicate the portion of net position that is available to fund future operations.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance (cont'd)

##### 12. Net Position and Fund Balance (cont'd)

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Amounts that are restricted to specific purposes either by constraints placed on the use of resources by (a) creditors, grantors, contributors, laws, or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Commission through an ordinance or resolution are classified as committed fund balances. Amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Assignments are made by City management based on Commission direction. Non-spendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

##### 13. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, allows them to defer a portion of their salary to future years. The City's direct involvement in the Plan is limited to remitting the amounts withheld from employees to the Plan's administrator. The deferred compensation plan is not included in the City's financial statements.

##### 14. Rounding Differences

Preparation of these financial statements may include \$1 rounding differences.

#### E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Material estimates that are particularly susceptible to significant change in the near term relate to:

- 1) The determination of the actuarially accrued liability for unpaid claims which is prepared based on certain assumptions pertaining to interest rates, and inflation rates, etc.;
- 2) The allowance for doubtful accounts; and
- 3) The actuarially determined liability for post-employment benefits other than pensions. Although these estimates (as well as all estimates) are based on management's knowledge of current events and actions in the future, they may ultimately differ from actual results.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 2. DEFICIT FUND EQUITY

The City reported a fund balance deficit of \$2.2 million in the general fund, this deficit balance will be addressed through a five-year recovery plan beginning in fiscal year 2021. In accordance with Florida Statute, 218.503 (3)(h) that clarifies the determination of financial emergency, the City developed and submitted a proposed Five-Year Recovery Plan to the State of Florida Governor's office for approval of the plan, and to resolve its financial emergency condition. In August 2020, this Five-Year Recovery Plan was approved without modification.

### NOTE 3. PROPERTY TAXES

Property taxes are levied on the first of November each year, at which time taxes become an enforceable lien on property assessed as of the previous January. Tax bills are payable upon receipt with discounts rates of one to four percent allowed if paid prior to March 1 of the following calendar year. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by the sale of interest-bearing tax certificates and the seizure of personal property to satisfy unpaid property taxes. Miami-Dade County bills and collects all property taxes for the City, and sells tax certificates for delinquent taxes.

The gross taxable value of property, as of July 1, 2018, by the Miami-Dade Property Appraiser was \$887 million. For the year ended September 30, 2019, the millage rate adopted by the City Commission of \$9.8 per \$1,000 of assessed taxable value results in \$8.4 million of property tax, of which approximately \$381,398 was contributed to the Opa-locka Community Redevelopment Agency as its share of the property due to it, while Miami-Dade County contributed approximately \$173,890.

No accrual for the property tax levy becoming due in November 2019 is included in the accompanying financial statements since the legal right to receive these taxes occurs on November 1, 2019, and such taxes are collected to finance expenditures of the fiscal year ending September 30, 2019.

### NOTE 4. DEPOSITS AND INVESTMENTS

As of September 30, 2019, the City's cash are considered to be cash on hand, and demand deposits.

#### **Deposits**

All deposits with financial institutions are fully insured or collateralized as required by the City Commission. The deposits are covered by federal depository insurance and, for the amount in excess of such federal depository insurance, by the State of Florida's Public Deposits Act ("the Act"). Provisions of the Act require that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default.



# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

#### Investments

The City is authorized to make direct investments in U.S. government, federal agency, and instrumentality obligations at a price not to exceed the market price at the time of purchase. In addition, the City may invest in certificates of financial institutions insured by the United States government or agencies thereof and repurchase agreements.

As of September 30, 2019, the City had no investments.

### NOTE 5. ACCOUNTS RECEIVABLE

Receivable balances and the allowance for doubtful accounts as of September 30, 2019, were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Agencies</u>	<u>Others</u>	<u>Allowance for Uncollectible</u>	<u>Net</u>
<b>Governmental activities:</b>						
General	\$ -	\$ -	\$ -	\$ 696,994	\$ (254,238)	\$ 442,756
Capital projects and debt service	<u>108,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,372</u>
Total governmental activities	<u>\$ 108,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 696,994</u>	<u>\$ (254,238)</u>	<u>\$ 551,128</u>
<b>Business-type activities:</b>						
Water and sewer	\$ 9,263,061	\$ -	\$ -	\$ -	\$ (6,127,522)	\$ 3,135,540
Stormwater	<u>1,057,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(709,242)</u>	<u>347,785</u>
Total business-type activities	<u>\$ 10,320,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,836,764)</u>	<u>\$ 3,483,324</u>

As of September 30, 2019, the allowance for doubtful accounts was \$254,238 for governmental activities, while the allowance for doubtful accounts was \$6.8 million under the business-type activities. An allowance for doubtful accounts is a contra account that nets against the total receivables presented on the balance sheet to reflect only the amounts expected to be paid and estimates accounts receivable that are expected to be uncollectible.

### NOTE 6. INTERFUND BALANCES AND TRANSFERS

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. These transfers are eliminated in the consolidation, by column, for the Governmental Activities. Inter-fund balances result from the time lag between the dates that (1) inter-fund goods and services are provided, or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 6. INTERFUND BALANCES AND TRANSFERS (Continued)

Interfund balances as of September 30, 2019, consisted of the following:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<b>Major governmental fund:</b>		
General Fund	\$ 23,981,253	\$ 23,558,122
Capital improvement debt service	4,648,694	3,443,311
<b>Non-Major governmental funds</b>	5,397,093	5,665,100
<b>Major enterprise fund:</b>		
Water and sewer	5,255,050	5,989,781
<b>Non-major enterprise funds</b>	<u>2,396,209</u>	<u>3,021,985</u>
Total	<u>\$ 41,678,299</u>	<u>\$ 41,678,299</u>

In fiscal year ended September 30, 2019, transfers between the capital improvement debt service fund to the general fund totaled \$978,660 for current year activity.

### NOTE 7. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2019:

	<u>Balance 09/30/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 09/30/19</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,980,457	\$ 1,090,066	\$ 457,514	\$ 3,613,009
Construction in progress	<u>2,114,944</u>	<u>-</u>	<u>-</u>	<u>2,114,944</u>
Total assets not being depreciated	<u>5,095,401</u>	<u>1,090,066</u>	<u>457,514</u>	<u>5,727,953</u>
Capital assets being depreciated:				
Buildings and improvements	19,498,959	1,796,854	958,355	20,337,458
Vehicles, furniture, and equipment	4,820,656	2,584,054	3,023,435	4,381,274
Infrastructure	<u>21,648,028</u>	<u>14,014,220</u>	<u>12,951,965</u>	<u>22,710,283</u>
Total assets being depreciated	<u>45,967,643</u>	<u>18,395,128</u>	<u>16,933,755</u>	<u>47,429,016</u>
Less accumulated depreciation:				
Buildings and improvements	(4,285,338)	(1,415,866)	877,810	(4,823,394)
Vehicles, furniture, and equipment	(4,829,264)	(1,983,976)	3,053,305	(3,759,834)
Infrastructure	<u>(16,759,409)</u>	<u>(6,829,785)</u>	<u>12,951,965</u>	<u>(10,637,229)</u>
Total accumulated depreciation	<u>(25,874,011)</u>	<u>(10,229,627)</u>	<u>16,883,080</u>	<u>(19,220,457)</u>
Total capital assets being depreciated, net	<u>20,093,632</u>	<u>8,165,501</u>	<u>33,816,825</u>	<u>28,208,559</u>
Governmental activities capital assets, net	<u>\$ 25,189,033</u>	<u>\$ 9,855,888</u>	<u>\$ 34,108,261</u>	<u>\$ 33,936,512</u>

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 7. CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>09/30/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>09/30/19</u>
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 14,762	\$ -	\$ -	\$ 14,762
Construction in progress	<u>4,084,879</u>	<u>705,365</u>	<u>-</u>	<u>4,790,244</u>
Total assets not being depreciated	<u>4,099,641</u>	<u>705,365</u>	<u>-</u>	<u>4,805,006</u>
Capital assets being depreciated:				
Buildings and improvements	-	6,176,247	-	6,176,247
Vehicles, furniture, and equipment	6,993,920	4,438,285	5,620,933	5,811,272
Infrastructure	<u>21,899,740</u>	<u>13,761,783</u>	<u>14,819,953</u>	<u>20,841,570</u>
Total assets being depreciated	<u>28,893,660</u>	<u>24,376,315</u>	<u>20,440,886</u>	<u>32,829,089</u>
Less accumulated depreciation:				
Buildings and improvements	-	(242,693)	(2,005,516)	(2,248,209)
Vehicles, furniture, and equipment	(6,660,515)	(1,993,191)	5,466,943	(3,108,361)
Infrastructure	<u>(15,015,638)</u>	<u>(5,273,519)</u>	<u>15,204,475</u>	<u>(5,084,682)</u>
Total accumulated depreciation	<u>(21,676,153)</u>	<u>(7,509,403)</u>	<u>18,665,902</u>	<u>(10,441,252)</u>
Total capital assets being depreciated, net	<u>7,217,507</u>	<u>17,166,912</u>	<u>1,774,984</u>	<u>22,387,837</u>
Business-type activities capital assets, net	<u>\$ 11,317,148</u>	<u>\$ 17,872,277</u>	<u>\$ 39,106,788</u>	<u>\$ 27,192,843</u>

Depreciation expense was charged to functions/programs of the City as follows:

**Governmental activities:**

General government	\$ 266,255
Public safety	120,333
Transportation	397,260
Parks and recreation	<u>5,103</u>
Total	<u>\$ 788,951</u>

**Business-type activities:**

Water and sewer	\$ 691,411
Storm water	<u>-</u>
Total	<u>\$ 691,411</u>

### NOTE 8. LEASES

**Capital Leases**

In prior years, the City entered into lease agreements as lessee for financing the acquisition of various vehicles. These lease agreements qualified as capital leases for accounting purpose. However, as of fiscal year end September 30, 2019, there were no capital lease obligations extended beyond this period.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 8. LEASES (Continued)

To better meet the information needs of financial statement users, the City is reviewing GASB Statement No. 87, related to the improving accounting and financial reporting for leases by government agencies by requiring the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The City will be evaluating future leasing contracts to determine if they meet the criteria outlined in this Statement for recognition. A total of \$5,463 was paid for lease payments as of the year ended September 30, 2019.

### NOTE 9. LONG-TERM DEBT

Long-term liability activity for the year ended September 30, 2019, was as follows:

	Balance 9/30/18	Additions	Reductions	Adjustments	Balance 9/30/19	Due in One Year 2020
<b>Governmental Activities</b>						
Capital Improvement Revenue Bond						
Series 2011 A&B	\$ 4,761,000	\$ -	\$ (527,000)	\$ -	\$ 4,234,000	\$ 545,000
Citi National Bank	-	-	-	-	-	-
Series 2015	7,866,334	-	(243,389)	49,127	7,672,072	252,140
Construction Loan	-	-	-	-	-	-
Capital Lease Obligation	5,463	-	(5,463)	-	-	-
Total	<u>12,632,797</u>	<u>-</u>	<u>(775,852)</u>	<u>49,127</u>	<u>11,906,072</u>	<u>797,140</u>
Compensated Balances	1,750,962	28,249	-	-	1,779,211	-
OPEB	296,724	34,446	-	-	331,169	-
FRS Pension Liability	9,076,099	-	(134,626)	-	8,941,473	-
Miami-Dade County Debt	214,236	-	(6,902)	-	207,334	40,472
Long Term Liability Legal	1,296,683	-	(1,043,808)	-	252,875	-
Total	<u>12,634,704</u>	<u>62,695</u>	<u>(1,185,336)</u>	<u>-</u>	<u>11,512,063</u>	<u>40,472</u>
Total Governmental Activities	<u>\$ 25,267,501</u>	<u>\$ 62,695</u>	<u>\$ (1,961,188)</u>	<u>\$ 49,127</u>	<u>\$ 23,418,135</u>	<u>\$ 837,612</u>
<b>Business Type Activities</b>						
State Revolving Loan CS120 80003P	\$ 444,775	\$ -	\$ (93,703)	\$ -	\$ 351,072	\$ 96,564
State Revolving Loan WW800050	1,166,554	-	(121,856)	-	1,044,698	123,728
State Revolving Loan DW130330	75,167	-	(3,344)	-	71,823	10,561
State Revolving Loan SW130320	162,899	-	(7,856)	-	155,043	9,160
State Revolving Loan WW130300	457,306	-	(23,931)	-	433,375	23,839
State Revolving Loan WW130301	2,637,359	498,349	(333,090)	-	2,802,618	333,090
State Revolving Loan DW130331	109,607	89,401	(157,017)	-	41,991	41,991
Total State Revolving Loans	<u>5,053,667</u>	<u>587,750</u>	<u>(740,796)</u>	<u>-</u>	<u>4,900,621</u>	<u>638,934</u>
<b>Other Debt:</b>						
Capital Lease Obligation	-	-	-	-	-	-
SunTrust Capital Lease Obligation	-	-	-	-	-	-
Total Leases	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Compensated Absences	107,644	-	(7,416)	-	100,228	-
OPEB	45,146	790	-	-	45,936	-
Long-term debt - MDC	5,356,061	1,600,000	(165,644)	-	6,790,417	1,013,185
Long Term Liability Legal	70,000	1,000,000	-	-	1,070,000	-
FRS Pension Liability	1,237,650	-	(18,358)	-	1,219,292	-
Total Other Long -term Debt	<u>6,816,501</u>	<u>2,600,790</u>	<u>(191,418)</u>	<u>-</u>	<u>9,225,873</u>	<u>1,013,185</u>
Total Business Type Activities	<u>\$ 11,870,168</u>	<u>\$ 3,188,540</u>	<u>\$ (932,214)</u>	<u>\$ -</u>	<u>\$ 14,126,494</u>	<u>\$ 1,652,119</u>

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 9. LONG-TERM DEBT (Continued)

For governmental activities, compensated absences are generally liquidated by the General Fund.

#### Long-Term Debt – Governmental Activities

Long-term debt of the City's governmental activities, excluding compensated absences and capital leases, include the:

- (a) Series 2011A&B Capital Improvement Revenue bonds, bearing annual interest rates on the Series A and Series B bonds range from approximately 3.31% to 3.89%, and are payable from a pledge of Grantee Entitlement Revenues which must be shared by the State of Florida, in annual principal installments ranging from \$445,000 in 2018 to \$670,000 through 2026.
- (b) Series 2015 Capital Improvement Revenue Note ("2015 Note") - for \$8,600,000, bearing interest at a rate of 2.65% to 4.25%, with a maturity date of July 1, 2025, and are payable by a lien on Pledge Revenues as defined by the terms of the Series 2015 Note agreement.

City National Bank has restricted the use of excess pledged funds after debt service payments have been made as a result of the City's financial emergency declaration (Note 20); as of September 30, 2019, approximately \$4.4 million is unavailable for City operations. Subsequent to September 30, 2019, City National Bank's restrictions on excess pledged funds, through a modification of the agreement, adopted on April 8, 2020, allowed the City to have access and redemption options for the available funds of approximately \$5,226,975. These funds were used to pay down a portion of the 2015A series bond, legal fees and the remaining portion transferred to the general fund for operations after being released from restriction.

#### Long-Term Debt - Business-Type Activities

Long-term debt of the City's business-type activities, excluding compensated absences, consists of the following:

- (a) State Revolving Loan Note Project No. CS12080003P as amended - for \$1.827 million, bearing interest at a rate of 2.56% and 1.54%, due in 40 semi-annual payments of \$53,240, including interest, from June 15, 2003 through December 15, 2022, secured by a lien on Pledge Revenues as defined by the State Revolving Fund loan agreement.
- (b) State Revolving Loan Note Project No. WW800050 - for \$2.375 million, bearing interest at a rate of 1.53%, due in 40 semi-annual payments of \$71,143, including interest, secured by a lien on Pledge Revenues as defined by the State Revolving Fund loan agreement.
- (c) State Revolving Loan Note Project No. WW130300 - for \$512,806, bearing interest at a rate of 1.63%, due in 40 semi-annual payments of \$15,644, including interest, secured by a lien on Pledge Revenues as defined by the State Revolving Fund loan agreement.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 9. LONG-TERM DEBT (Continued)

#### Long-Term Debt - Business-Type Activities (cont'd)

- (d) State Revolving Loan Note Project No. SW130320 – for \$197,035, bearing interest at a rate of 1.63%, due in 40 semi-annual payments of \$6,011, including interest, secured by a lien on Pledge Revenues as defined by the State Revolving Fund loan agreement.
- (e) State Revolving Loan Note Project No. DW130330 – for \$240,000, bearing interest at a rate of 2.53%, due in 40 semi-annual payments of \$6,011, including interest, secured by a lien on Pledge Revenues as defined by the State Revolving Fund loan agreement.
- (f) State Revolving Loan Note Project No. WW 130301- for \$16.895 million, interest-free, due in forty (40) semi-annual payments of \$430,845, from July 15, 2018 through June 15, 2032, including interest, secured by a lien on pledged revenues as defined by the State Revolving Fund loan agreement.
- (g) State Revolving Loan Note Project No. DW130331- for \$2,745,981 million, bearing interest at a rate of 1.21%, due in 40 semi-annual payments of \$79,075, from July 15, 2018 until all amounts have been fully paid, secured by a lien on pledged revenues as defined by the State Revolving Fund loan agreement.
- (h) On August 4, 2017, the City entered into an agreement with Miami-Dade County (“the County”) for (1) sewer disposal service, (2) administering the meter reading, billing and collection of water, sanitary sewage, and stormwater utility charges, and (3) acknowledging delinquent charges. The City will repay at a rate of three percent (3%) annual interest rate, in monthly payments for sixty (60) months to re-pay past due debt owed as of March 15, 2017. As of September 30, 2019, the total debt outstanding was \$5,397,751. Debt service payments, which include principal & interest, are made monthly in the amount of \$100,090.95. For fiscal year ended September 30, 2019, payments totaled 200,181.90.
- (i) For the fiscal year ended September 30, 2019, the County exercised the option to have water meters replaced and installed to bring customer properties into Compliance with the City’s Code of Ordinances. As a result, there is an estimated \$1,600,000 liability for water meters purchased on behalf of the City. The meters have been properly capitalized, see Note 7.
- (j) As of September 30, 2019, the City owed the State of Florida \$2,781,157 for their portion of the Mark Wandall Traffic Safety Program, Florida Statute 316.0083, regarding the ordinance to use a traffic infraction detector to identify a motor vehicle that fails to stop at a traffic control signal at a red light. Remittances in FY2019 were approximately \$1,076,912.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 9. LONG-TERM DEBT (Continued)

#### Long-Term Debt - Business-Type Activities (cont'd)

Annual debt service requirements to maturity for debt outstanding are as follows:

Fiscal Year Ending September 30,	<u>Governmental Activities</u>		<u>Business - Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 836,897	\$ 412,708	\$ 1,652,119	\$ 219,271
2021	825,221	384,676	1,817,423	180,019
2022	853,646	355,653	1,857,804	139,638
2023	883,429	325,601	1,801,042	93,125
2024-2029	8,496,820	568,188	4,422,483	219,993
Thereafter	<u>217,393</u>	<u>-</u>	<u>140,167</u>	<u>89,667</u>
	<u>\$ 12,113,406</u>	<u>\$ 2,046,826</u>	<u>\$ 11,691,038</u>	<u>\$ 941,713</u>

#### Summary of Debt Covenants

Series 2011A and Series 2011B Capital Improvement Revenue Bonds – Debt service is provided by a pledge of guaranteed state revenue sharing funds, local option gas tax revenues, and the half-cent sales tax. Reserves must be maintained equal to the maximum bond service requirement. At September 30, 2019, the City had on deposit with the trustee for these bonds, a reserve account insurance policy which unconditionally and irrevocably guarantees the full and complete payment required to be made by or on the behalf of the City.

On June 3, 2014 - as authorized by City Ordinance No. 13-40 - the City entered into an agreement with City National Bank of Florida for the issuance of the Series 2014 Capital Improvement Revenue Note for the purpose of acquiring, construction, installation and equipping an administration building. Debt service is provided by a pledge of guaranteed state communications services tax revenues, public service tax revenues and all investment income except for Rebate fund. In May 2015, this was rolled up into the Series 2015 Note.

Pledged Revenues - the City's agreement under the State of Florida Revolving Loan Fund Program requires the City to generate Pledged Revenues, as defined by the agreement, from the services furnished by its water and sewer systems equal to or exceeding 1.15 times the sum of the semiannual loan payments. As of September 30, 2019, the City is in compliance with this requirement.

The amount of long-term debt that can be incurred by the City is limited by the charter of the City. Total general obligation bond of the City outstanding in any one fiscal year can be no greater than 15% of the assessed value of taxable property as of the beginning of the fiscal year. As of September 30, 2019, the amount of bonds outstanding and notes payable exclusively from the revenues of a municipal project was less than 5% of property assessments as of September 30, 2019.

Bonds payable exclusively from the revenue of a municipal project may be issued and outstanding without regard to the 15% limitation; however, such an issue would be subject to the limitations imposed by the City's charter with respect to restrictions on bonds parity with or junior to the Series 2011A and Series 2011B Capital Improvement Revenue Bonds.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 10. RETIREMENT PLANS

All of the City's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the Pension Plan and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (Investment Plan) alternative to the Pension Plan, which is administered by the State Board of Administration (SBA). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a Florida state agency, county government, district school board, state university, community college, or a participating city or special district. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Florida Legislature established and may amend the contribution requirements and benefit terms of all FRS plans.

The plan administrator for FRS prepares and publishes its own stand-alone comprehensive annual financial report, including financial statements and required supplementary information. Copies of this report can be obtained from the Department of Management Services, Division of Retirement, Bureau of Research and Member Communications, P.O. Box 9000, Tallahassee, Florida 32315-9000; or at the Division's website ([www.frs.myflorida.com](http://www.frs.myflorida.com)).

#### **A. Pension Plan - Florida Retirement System (FRS)**

*Plan Description* - The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees.

The general classes of membership for the City are as follows:

- Regular Class - Members of the FRS who do not qualify for membership in the other classes.
- Senior Management Service Class (SMSC) - Members in senior management level positions
- Special Risk Class – Members who are employed as law enforcement officers

Employees enrolled in the Pension Plan prior to July 1, 2011, vest after six years of creditable service, and employees enrolled in the Pension Plan on or after July 1, 2011, vest after eight years of creditable service. Regular Class and SMSC members initially enrolled in the Pension Plan before July 1, 2011, once vested, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service. Members in these classes initially enrolled in the Pension Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Early retirement may be taken any time after vesting within 20 years of normal retirement age; however, a 5.0% benefit reduction is imposed for each year prior to the normal retirement age.

DROP is available under the Pension Plan when the member first reaches eligibility for normal retirement. The DROP allows a member to retire while continuing employment for up to 60 months. While in the DROP, the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July and earn monthly interest equivalent to an annual rate of 1.30%. DROP participants with an effective DROP commencement date before July 1, 2011, earn monthly interest equivalent to an annual rate of 6.50%.



# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 10. RETIREMENT PLANS (Continued)

#### A. Pension Plan - Florida Retirement System (FRS) (cont'd)

*Benefits Provided* - Benefits under the Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned. The following chart shows the percentage value for each year of service credit earned.

<b>Class, Initial Enrollment, and Retirement Age/Years of Service</b>	<b>% Value (Per Year of Service)</b>
<b>Regular Class Members Initially Enrolled Before July 1, 2011</b>	
Retirement up to age 62 or up to 30 years of service	1.60%
Retirement at age 63 or with 31 years of service	1.63%
Retirement at age 64 or with 32 years of service	1.65%
Retirement at age 65 or with 33 or more years of service	1.68%
<b>Regular Class Members Initially Enrolled On or After July 1, 2011</b>	
Retirement up to age 65 or up to 33 years of service	1.60%
Retirement at age 66 or with 34 years of service	1.63%
Retirement at age 67 or with 35 years of service	1.65%
Retirement at age 68 or with 36 or more years of service	1.68%
<b>Special Risk Class</b>	
Service from Dec. 1, 1970 through Sept. 30, 1974	2.00%
Service on and after Oct. 1, 1974	3.00%
<b>Senior Management Service Class</b>	2.00%

The benefits received by retirees and beneficiaries are increased by a COLA each July based on their June benefit amount. For retirees who have been retired for less than 12 months on July 1, the first COLA increase is prorated. The COLA applies to all continuing monthly retirement benefits paid under the FRS Pension Plan (i.e., normal and early service retirement benefits and benefits accruing in participant accounts under the DROP, disability retirement benefits, and survivor benefits). The COLA for retirements or DROP participation effective before August 1, 2011, is 3 percent per year. The COLA formula for retirees with an effective retirement date or DROP begin date on or after August 1, 2011, will be the sum of the pre-July 2011 service credit divided by the total service credit at retirement multiplied by 3 percent. Each Pension Plan member with an effective retirement date of August 1, 2011, or after will have an individual COLA factor for retirement. FRS Pension Plan members initially enrolled on or after July 1, 2011, will not have a COLA after retirement.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 10. RETIREMENT PLANS (Continued)

#### A. Pension Plan - Florida Retirement System (FRS) (cont'd)

Contributions - Effective July 1, 2011, all enrolled members of the Pension Plan, other than DROP participants, are required to contribute 3.0% of their salary to the Pension Plan. In addition to member contributions, governmental employers are required to make contributions to the Pension Plan based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the fiscal year 2017-2018 are as follows:

<u>Class</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate*</u>	<u>Total Contribution Rate</u>
Regular	3.00%	6.54%	9.54%
Senior Management	3.00%	22.34%	25.34%
Special Risk	3.00%	22.78%	25.78%
DROP	N/A	12.37%	12.37%

*\*These rates include the normal cost and unfunded actuarial liability contributions but do not include the 1.66 percent contribution for the Retiree Health Insurance Subsidy and the fee of 0.06 percent for administration of the FRS Investment Plan and provision of educational tools for both plans.*

For the fiscal year ending September 30, 2019, contributions, including employee contributions, to the Pension Plan for the City totaled \$969,476.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2019, the City reported a liability of \$7,949,247 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City's proportionate share of the net pension liability was based on its share of the City's 2018-2019 fiscal year contributions relative to the 2017-2018 fiscal year contributions of all participating members.

The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 215.136(10) Florida Statutes. The 6.90 percent return assumption used in the June 30, 2019 calculations were determined by Plan's consulting actuary to be reasonable and appropriate per Actuarial Standards of Practice. The 6.90 percent reported investment return assumption differs from the 7.20 percent investment return assumption chosen by the 2019 FRS Actuarial Assumption Conference for funding policy purposes, as allowable under governmental accounting and reporting standards.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 10. RETIREMENT PLANS (Continued)

#### A. Pension Plan - Florida Retirement System (FRS) (cont'd)

For the fiscal year ended September 30, 2019, the City recognized pension expense of \$1,761,126. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Differences between expected and actual experience	\$ 471,493	\$ (4,933)
Change of Assumptions	2,041,709	-
Net difference between projected and actual earnings on Pension Plan investments	-	(439,794)
Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions	217,950	(1,375,710)
Pension Plan contributions subsequent to the measurement date	<u>181,183</u>	<u>-</u>
Total	<u>\$ 2,912,335</u>	<u>\$ (1,820,437)</u>

The deferred outflows of resources related to the Pension Plan, totaling \$181,183 for the City, resulting from contributions to the Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

<u>For the Year Ending September 30,</u>	<u>Deferred Outflows/(Inflows) Net</u>
2020	\$ 330,279
2021	99,635
2022	240,728
2023	181,596
2024	46,833
Thereafter	<u>11,644</u>
Total	<u>\$ 910,715</u>

*Actuarial Assumptions* – The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.60%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	6.9%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 10. RETIREMENT PLANS (Continued)

#### A. Pension Plan - Florida Retirement System (FRS) (cont'd)

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The long-term expected rate of return on Pension Plan investments was not based on historical returns but, instead, is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.3%	3.3%	1.2%
Fixed Income	18.00%	4.1%	4.1%	3.5%
Global Equity	54.00%	8.0%	6.8%	16.5%
Real Estate (Property)	10.00%	6.7%	6.1%	11.7%
Private Equity	11.00%	11.2%	8.4%	25.8%
Strategic Investments	<u>6.00%</u>	5.9%	5.7%	6.7%
Total	<u>100.00%</u>			
Assumed Inflation – Mean		2.6%		1.7%

\*As outlined in the Pension Plan's investment policy.

Discount Rate – The discount rate used to measure the total pension liability was 6.9%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation of the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 6.9%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.9%) or one percentage point higher (7.9%) than the current rate:

	1% Decrease 6.9%	Current Discount Rate 5.9%	1% Increase 7.9%
City's proportionate share of the net pension liability	\$13,741,601	\$7,949,247	\$3,111,651

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 10. RETIREMENT PLANS (Continued)

#### A. Pension Plan - Florida Retirement System (FRS) (cont'd)

*Pension Plan Fiduciary Net Position* - Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

*Payables to the Pension Plan* - At September 30, 2019, the City had no outstanding payables of to the Pension Plan for contributions to the Pension Plan required for the fiscal year ended September 30, 2019.

#### B. Retiree Health Insurance Subsidy Program (HIS)

*Plan Description* - The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of state administered retirement systems in paying health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

*Benefits Provided* - For the fiscal year ended September 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a state administered retirement system must provide proof of health insurance coverage, which may include Medicare.

*Contributions* - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2019, the HIS contribution rate for the period October 1, 2016 through September 30, 2019, was 1.66% of payroll pursuant to section 112.363, Florida Statutes. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

For the fiscal year ending September 30, 2019, contributions to the HIS Plan for the City totaled \$142,377.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At September 30, 2019, the City reported a liability of \$2,211,518 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City's proportionate share of the net pension liability was based its share of the City's 2018-2019 fiscal year contributions relative to the 2017-2018 fiscal year contributions of all participating members.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 10. RETIREMENT PLANS (Continued)

#### B. Retiree Health Insurance Subsidy Program (HIS) (cont'd)

For the fiscal year ended September 30, 2019, the City recognized pension expense of \$131,135. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 26,861	\$ (2,708)
Change of Assumptions	256,073	(180,751)
Net difference between projected and actual earnings on Pension Plan investments	1,427	-
Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions	240,537	(755,065)
Pension Plan contributions subsequent to the measurement date	<u>25,857</u>	<u>-</u>
Total	<u>\$ 550,755</u>	<u>\$ (938,524)</u>

The deferred outflows of resources related to the HIS Plan, totaling \$25,857 for the City, resulting from contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

<b><u>For the Year Ending September 30,</u></b>	<b><u>Deferred Outflows/(Inflows) Net</u></b>
2019	\$ (176,271)
2020	(141,075)
2021	(77,224)
2022	56,077
2023	(10,186)
Thereafter	<u>(64,946)</u>
Total	<u>\$ (413,626)</u>

***Actuarial Assumptions*** – Actuarial valuations for the HIS plan are conducted biennially. The July 1, 2017 HIS valuation is the most recent actuarial valuation and was used to develop the liabilities for June 30, 2019.

Liabilities originally calculated as of the actuarial valuation date have been recalculated as of a later GASB Measurement Date using standard actuarial roll forward procedures.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 10. RETIREMENT PLANS (Continued)

#### B. Retiree Health Insurance Subsidy Program (HIS) (cont'd)

The total pension liability as of June 30, 2019 was determined using the following actuarial assumptions:

Inflation	2.60%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	3.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions that determine the total pension liability as of June 30, 2019 were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2019 was 3.50%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2019 valuation was updated from 3.87% to 3.50% reflecting the change in the Bond Buyer General Obligation 20-Bond municipal Bond Index as of June 30, 2019.

Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 3.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
City's proportionate share of the net pension liability	\$2,524,561	\$2,211,518	\$1,950,788

Pension Plan Fiduciary Net Position - Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 10. RETIREMENT PLANS (Continued)

#### C. Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the defined benefit pension plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class, as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members.

Allocations to the investment member's accounts during the 2018-19 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows:

<b>Membership Class</b>	<b>Percentage of Gross Compensation</b>
FRS Regular	6.30%
FRS Senior Manager Service	7.67%
FRS Special Risk	14.00%

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over the account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2019, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.



# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### **NOTE 10. RETIREMENT PLANS (Continued)**

#### **C. Investment Plan (cont'd)**

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or elect any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or the member may remain in the Investment Plan and rely upon that account balance for retirement income.

The Investment Plan pension expense for the City totaled \$185,025 for the fiscal year ended September 30, 2019.

At September 30, 2019, the City has no outstanding contributions to the Investment Plan required for the fiscal year ended September 30, 2019.

### **NOTE 11. RELATIONSHIP WITH THE COUNTY**

In November 6, 1956, the Florida Legislature adopted the Miami-Dade County Home Rule for a general election to amend the Florida State Constitution designed to provide a centralized form of government to the County of Miami-Dade (the "County"). The County is, in effect, a municipality with governmental powers effective with 34 cities, towns and villages in the County, including the City, and the unincorporated areas. The County does not displace or replace cities, but can supplement them. The County can take over particular services of the City's operations if (1) the services fall below minimum standards set by the County Commission or (2) with the consent of the governing body of the City.

Since the inception of the City, the County has assumed responsibility for a number of functions, including county-wide police services, complementing county-wide fire protection; consolidated two-tier court systems; creation of the various surface transportation programs; installation of a central traffic control computer system; merging public transportation systems into a county system; and centralization of the property appraiser and tax collector functions.

In addition to county-wide services provided by Miami-Dade County in the City, the City has a Memorandums of Understanding (MOU), with the County to provide waste collection services and water utility billing services. The MOU dated February 17, 2017, for waste collection and waste hauler services was agreed after the City's vendor provided notification that they would no longer provide those services.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### **NOTE 11. RELATIONSHIP WITH THE COUNTY (Continued)**

The MOU for transitioning water utility billing services, collection services and meter replacements city-wide to Miami-Dade County Water & Sewer Department was agreed to on August 4, 2017. Since the agreement, Miami-Dade County began the utility billing of the City's customers along with the installation, replacement, and repair of over 5,000 water meters which currently represents an estimated cost ranging from approximately \$1.5 million to \$2.2 million to the County per the agreement, however as of September 30, 2019, approximately \$1.6 million is recognized as capitalized meter replacements with the corresponding liability associated with the cost of the meters. A majority of the utility customer accounts have successfully transitioned to Miami-Dade County with the customers receiving their bills direction by Miami-Dade County Water & Sewer, and now having the ability to visit the newly opened Miami-Dade County Customer Services Center located in the City Hall at 780 Fisherman Street in Opa-locka.

### **NOTE 12. COMMITMENTS AND CONTINGENCIES**

#### **Water Supply and Sewer Services Contract**

In February 1985, the City entered into an agreement with Miami-Dade Water and Sewer Authority (the "Authority") for the purpose of providing to the City all of its potable water supply and sewer services for a period of thirty (30) years subject to termination at any time by operation of law or by mutual consent of the City and the Authority. For the year ended September 30, 2019 and 2018, the City purchased water and sewer services totaling \$3,832,428 and \$3,857,673 respectively, from the Authority under the terms of this agreement.

Various other claims and lawsuits, which arose in the normal course of operations, are pending against the City and are summarized below:

#### **Threatened Litigation, Claims and Assessments**

The City is involved in litigation and additional claims have been asserted against the City which are being handled by the City Attorney's office, in addition to third party Attorneys. A number of cases remain outstanding. In some cases, the City anticipates that its insurance carrier will cover the damages. Please consult with the City Attorney and Risk Manager for further information regarding such claims and lawsuits which arose in the normal course of operations, and are pending against the City. In the opinion of management and based on the advice of the City's Attorney, the outcome of some of these actions is not yet known. However, provision for liability has been accrued on the financial position and results of operations of the City for those cases where the outcome is known.

#### **Contingencies**

The City participates in a number of Federal and State grant programs in accordance with the provisions of the Uniform Guidance and the State of Florida Single Audit Act. Pursuant to those provisions, financial assistance programs were tested for compliance with applicable grant requirements. These programs may be subjected to financial and compliance audits by the grantors or their representatives. The possible disallowance of any item charged to the program or request for the return of already collected funds may be requested by the grantor agency. In the opinion of management, future disallowances, if any, of grant program expenditures would not have a material adverse effect on the financial condition of the City.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 12. COMMITMENTS AND CONTINGENCIES (Continued)

#### **Grant Contingency**

The City receives financial assistance from federal, state and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and may be subject to audit by the grantor agencies. In accordance with *Title 2 U.S. Code of Federal Regulations, Part 200, Uniformed Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards (Uniform Guidance)* and the Florida Single Audit Act, the City is required to conduct “single audits” when the required thresholds of \$750,000 in grant expenditures from either source is exceeded. For the year ended September 30, 2019, a Federal single audit in accordance with the Uniform Guidance was required, however a state single audit in accordance with the Florida Single Audit Act was not.

### NOTE 13. OTHER POST-EMPLOYMENT BENEFITS

Effective October 1, 2017, the City implemented GASB Statement No. 75, *Accounting and Reporting for Post-Employment Benefits Other Than Pensions*, for certain post-employment healthcare benefits provided by the City. The implementation of this statement resulted in a restatement of the City’s government-wide statements as discussed in Note 13.

#### ***Plan Description***

Pursuant to Section 112.081, Florida Statutes, the City is required to permit eligible retirees and their eligible dependents to participate in the City’s health insurance program at a cost to the retiree that is no greater than the cost at which the coverage is available for active employees. The City does not provide retirees with any subsidy for this benefit.

On September 17, 2008, the City established the OPEB Trust, a single employer defined benefit health care plan to all of its employees except part-time employees and full-time employees who either resign or are terminated. The City is authorized to establish and amend benefit levels, subject to minimum requirements set forth by Florida Statutes, and to approve the actuarial assumptions used in the determination of contribution levels. The plan does not issue a separate financial report.

#### ***Benefits Provided***

The OPEB Plan provides healthcare insurance benefits for retirees and their dependents.

#### ***Funding Policy***

The City’s funding policy is to pay post-retirement medical benefits from general funds. A trust has not been established to pre-fund these benefits.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (Continued)

#### *Plan Membership*

At October 1, 2017, the date of the latest actuarial valuation, plan participation consisted of the following:

Active plan members	119
Inactive plan members	-
	<u>119</u>

#### **Total OPEB Liability**

The City's total OPEB liability of \$377,107\* was measured as of September 30, 2019, and was determined by an actuarial valuation as of October 1, 2017.

\* This amount has been rolled forward from October 1, 2017.

#### *Actuarial Assumptions and Other Inputs*

Valuation Date:	October 1, 2017
Measurement Date:	September 30, 2019
Roll-forward Disclosure	The Total OPEB Liability was rolled forward from the valuation date to the measurement date using standard actuarial techniques.

#### *Methods and Assumptions Used to Determine Total OPEB Liability:*

Actuarial Cost Method	Entry Age Normal
Inflation	2.2%
Discount Rate	3.58%
Salary Increases	3% per annum
Retirement Age	Retirement rate assumptions are based on the Florida Retirement System, retirement rates based on those used in the July 1, 2016 actuarial valuation of Florida Retirement System.
Mortality	Sex-distinct rates set forth in the PUB-2010 Mortality Table (without income adjustments) for general and public safety employees, with full generational improvements in mortality using Scale MP-2017
Retirees Share of Benefit Related Costs	Premium contributions are required from retirees.

The Plan is unfunded; as such no projection of Fiduciary Net Position is required.

Demographic assumptions mirror those used for the Florida Retirement System pension plans.

The discount rate used to determine the liabilities under GASB 75 is based on the return on the S&P Municipal Bond 20-year High Grade Index as of the measurement date. The discount rate is 3.58% per annum.

**CITY OF OPA-LOCKA, FLORIDA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

**NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (Continued)**

**Actuarial Assumptions and Other Inputs (cont'd)**

Changes in the OPEB liability for the fiscal year ended September 30, 2019, were as follow:

Balance at September 30, 2018 -as restated	\$ 341,870
<b><i>Changes for the year</i></b>	
Service cost	28,827
Expected interest growth	13,113
Changes in assumptions	-
Differences between expected and actual experience	<u>2,184</u>
Total change in OPEB liability for 9/30/19	385,994
Estimated employer contributions/ benefits payments	<u>(8,887)</u>
<b>Total OPEB Liability - September 30, 2019</b>	<b><u>\$ 377,107</u></b>

**Sensitivity of the total OPEB liability to changes in the discount rate:**

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability, calculated using a discount rate of 3.58%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

<u>Discount Rate</u>	<u>1% Decrease 2.58%</u>	<u>Discount Rate 3.58%</u>	<u>1% Increase 4.58%</u>
Total OPEB Liability	\$ 417,763	\$ 377,107	\$ 341,432
Net OPEB Liability	<u>\$ 417,763</u>	<u>\$ 377,107</u>	<u>\$ 341,432</u>

**Sensitivity of the total OPEB liability to the healthcare cost trend rate:**

The following table illustrates the impact of healthcare cost trend sensitivity on the Net OPEB Liability for fiscal year ending September 30, 2019.

<u>Ultimate Trend</u>	<u>1% Decrease 4.00%</u>	<u>Medical Trend 7.00% graded down to 5.00%</u>	<u>1% Increase 6.00%</u>
Total OPEB Liability	\$ 326,443	\$ 377,107	\$ 438,148
Net OPEB Liability	<u>\$ 326,443</u>	<u>\$ 377,107</u>	<u>\$ 438,148</u>

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### **NOTE 14. DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan (the “Plan”), which is administered by two administrators. The portion of the plan administered by the International City Management Association Retirement Corporation (“ICMA”) was created in accordance with Internal Revenue Code Section 457 (a qualified plan). The other portion constitutes a nonqualified plan benefit and is administered by the Life Insurance Company of Southwest. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in this plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All assets and income of the Plan are held in trust for the exclusive benefits of the participants. The City makes no investment decisions and has no fiduciary responsibilities regarding the Plan; therefore, the assets and liabilities of the Plan are not included in the City’s financial statements as September 30, 2019.

### **NOTE 15. RISK MANAGEMENT**

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. The City has not had a significant reduction in insurance coverage from coverage in the prior year by major categories of risk, and settled claims have not exceeded the City’s retention and excess coverage in force for each of the past three years.

### **NOTE 16. REQUIRED SUPPLEMENTARY INFORMATION**

Under GASB Statement No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The City adopts annual operating budgets for the general fund and all special revenue funds. Budget and actual comparison for the General Fund is presented in the Required Supplementary Information section of the report. Budget and actual comparisons for other funds are reflected in the Combining Statements section.

### **NOTE 17. COMPENSATED ABSENCES**

It is the City’s policy to permit employees to accumulate within certain limits, earned but unused personal-time-off, which will be paid to employees upon separation from City service. All personal time-off is accrued when incurred in the government-wide financial statements. In the governmental funds, a liability is recorded only for paid time off payouts for employee separations that occurred within 60 days after the fiscal year ended September 30, 2019. The General Fund and Enterprise Fund have been used in prior years to liquidate the liability for compensated absences.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 18. RESTATEMENT - PRIOR PERIOD ADJUSTMENTS

The September 30, 2018, beginning net asset position of the Government Activities and Business-Type Activities were restated as a result of the prior period correction of errors. The City's net position increased by \$797,348 over the prior fiscal year ended September 30, 2018. This is because the prior period adjustments had a greater amount of credits to the net position than the debit charges that were made to record the corrections.

Restatement of net position at September 30, 2018, due to prior period corrections of an error.

	<b>Restatement of Net Position</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Net position September 30, 2018, previously stated and reported	\$ 6,358,459	\$ 1,785,876	\$ 8,144,335
Prior period adjustment:			
Net effect of Correction of errors, effect of adjustment to revenue, expenditure and other	<u>2,302</u>	<u>795,046</u>	<u>797,348</u>
Net Position, September 30, 2018	<u>\$ 6,360,761</u>	<u>\$ 2,580,922</u>	<u>\$ 8,941,683</u>

**Government Activities** – The City's net position of Government Activities as of September 30, 2018, has been restated for prior period adjustments. The net position increased by \$2,302 resulting from net adjustments associated with the correction of errors relate to prior periods.

- Prior period corrections in the general fund in the amount of \$2 million, were related to a combination of transfers of capital improvement debt service funds released from restrictions from prior years to be transferred to the general funds of more than \$1.8 million as an increase, and adjustments to the due to/due from other funds associated with these transactions. In addition to other miscellaneous transactions associated with the City's portion of funds due to the State of Florida in accordance with Florida Statute 316.0083, regarding the ordinance to use a traffic infraction detector to identify a motor vehicle that fails to stop at a traffic control signal for a red light.
- The City corrected errors in reporting of the capital improvement debt service fund related to prior years in order to transfer \$1.8 million in unrestricted amounts not transferred for fiscal years 2011 to 2018 released from restriction.
- As a result of the City becoming compliant with past due compliance audits related to its share of transportation and transit surtax funding for the fiscal year ended September 30, 2018, there were adjustments totaling (\$227,441).

	<b>Governmental Activities</b>
General fund	\$ 2,043,855
Capital improvement debt service	(1,814,112)
People's transportation tax	<u>(227,441)</u>
Total	<u>\$ 2,302</u>

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 18. RESTATEMENT - PRIOR PERIOD ADJUSTMENTS (cont'd)

**Business-Type Activities** – The City’s net position of Business-Type Activities as of September 30, 2018, has been restated for prior period adjustments. The net position increased by \$795,046 resulting from net adjustments to due to/from other funds, cash, revenue, expenditures, and other errors related to prior year.

- The prior period adjustments related to the water and sewer fund totaled \$652,662, this was related to adjustments in the ‘Unapplied Credits’ account related to prior periods beginning in 2009 through 2016, totaling \$741,881. In addition to other adjustments related to prior year sewer true up credits for wholesale customers for wastewater services for the City’s water and sewer operations, to correct errors related to charges associated with collection in accordance with Section 24-34 of the Code of Miami-Dade County for the Department of Environmental Resource Management (DERM) recorded as a liability for prior year billings, and for other miscellaneous adjustments to correct prior period errors.
- For the storm water, adjustments are related to liabilities associated with contractor retainage and other contracted services, totaling \$142,384.

	<u>Business-type Activities</u>
Water and sewer	\$ 652,662
Stormwater	<u>142,384</u>
Total	<u>\$ 795,046</u>

### NOTE 19. NEW ACCOUNTING PRONOUNCEMENTS ISSUED

#### Accounting Pronouncements -- Adopted and Unadopted

**GASB Statement No. 87, Leases.** The objective of this Statement is to increase the usefulness of governments’ financial statements and establish a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The effective date was for reporting periods beginning after December 15, 2019, for fiscal years beginning after June 15, 2021, and all reporting periods thereafter.

**GASB Statement No. 88, Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 1.** The objective of this Statement is to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements for this Statement are effective for reporting periods beginning after December 31, 2019.

**GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period.** The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.



# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 19. NEW ACCOUNTING PRONOUNCEMENTS ISSUED (Continued)

#### Accounting Pronouncements -- Adopted and Unadopted (cont'd)

##### **GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* (cont'd)**

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. However, based on GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the requirements of this statements were postponed to after December 15, 2020.

**GASB Statement No. 90, *Majority Equity Interest, an amendment of GASB Statements No. 14 and No. 61.*** The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 19. NEW ACCOUNTING PRONOUNCEMENTS ISSUED (Continued)

#### Accounting Pronouncements -- Adopted and Unadopted (cont'd)

##### **GASB Statement No. 90, *Majority Equity Interest, an amendment of GASB Statements No. 14 and No. 61.* (cont'd)**

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. However, based on GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the requirements of this statements were postponed to December 15, 2019.

Those provisions should be applied on a prospective basis.

**GASB Statement No. 91, *Conduit Debt Obligations.*** The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 19. NEW ACCOUNTING PRONOUNCEMENTS ISSUED (Continued)

#### Accounting Pronouncements -- Adopted and Unadopted (cont'd)

##### **GASB Statement No. 91, *Conduit Debt Obligations*. (cont'd)**

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so. An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are

met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset. If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. However, based on GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the requirements of this statements were postponed to after December 15, 2021.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 19. NEW ACCOUNTING PRONOUNCEMENTS ISSUED (Continued)

#### Accounting Pronouncements -- Adopted and Unadopted (cont'd)

**GASB Statement No. 92, *Omnibus 2020*.** The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 19. NEW ACCOUNTING PRONOUNCEMENTS ISSUED (Continued)

#### Accounting Pronouncements -- Adopted and Unadopted (cont'd)

##### **GASB Statement No. 92, *Omnibus 2020*. (cont'd)**

- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020. Earlier application is encouraged and is permitted by topic.
- However, based on GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the requirements of this statement were mostly postponed to fiscal years beginning after June 15, 2021.

**GASB Statement No. 93, *Replacement of Interbank Offered Rate*.** The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of IBORs (Interbank Offered Rate) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information.

The standard, designed to address the accounting implications of the replacement of an IBOR, establishes that agreements that maintain an existing hedging arrangement continue to be accounted for in the same manner as before the replacement of a reference rate. Indeed, as a result of global reference rate reform, LIBOR is expected to cease to exist in its current form after December 31, 2021. Governments will need to amend or replace financial instruments that are tied to LIBOR. It should be noted that Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, previously required a government to terminate hedge accounting when it changes the reference rate of a hedging derivative's variable payment. Statement No. 87, *Leases*, previously required a government that replaced the rate on which variable payments depend in a lease contract to apply the provisions for lease modifications.

The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, and all reporting periods thereafter. Earlier application is encouraged.

**GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.** The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 19. NEW ACCOUNTING PRONOUNCEMENTS ISSUED (Continued)

#### Accounting Pronouncements -- Adopted and Unadopted (cont'd)

##### ***GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. (cont'd)***

This Statement provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides uniform guidance on accounting and financial reporting for transactions that meet the definitions of PPP and APAs. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs.

This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, Leases, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an SCA (Service Concessions Arrangements).

This Statement provides accounting and financial reporting requirements for all other PPPs: those that either (1) meet the definition of an SCA or (2) are not within the scope of Statement 87, as amended (as clarified by this Statement).

This Statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of Statement 87, as amended (as clarified in this Statement).

This Statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts. If a PPP involves multiple underlying assets, a transferor and an operator in certain cases should account for each underlying PPP asset as a separate PPP.

This Statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator's right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 19. NEW ACCOUNTING PRONOUNCEMENTS ISSUED (Continued)

#### Accounting Pronouncements -- Adopted and Unadopted (cont'd)

**GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.** The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. Consequently, the statement will improve Financial Reporting providing governments with sufficient time to apply the authoritative guidance addressed in this Statement. Also, it will help to safeguard the reliability of the financial statements, which in turn will benefit the users of those financial statements.

That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year. The requirements of this Statement are effective immediately.

**GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.** The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs.

This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

**GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.** The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 19. NEW ACCOUNTING PRONOUNCEMENTS ISSUED (Continued)

#### Accounting Pronouncements -- Adopted and Unadopted (cont'd)

##### ***GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. (cont'd)***

This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or another employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively.

This Statement (1) requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

The requirements of the Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021; whereas the requirements of the other parts of the statement are effective immediately.

### NOTE 20. STATE AND LOCAL AGREEMENT

On June 1, 2016, the City of Opa-locka City Commission adopted a Resolution to request a declaration that the City is in a state of financial emergency to seek the appointment of a financial emergency board and other assistance pursuant to section 218.503(1), Florida Statutes. The State of Florida, Office of the Governor, issued Executive Order 16-135, signed by Florida Governor Rick Scott.

On June 8, 2016, the City entered into a State and Local Agreement of Cooperation between the Governor as a result of being in a state of financial emergency. The State implemented measures to resolve the financial emergency, the City's cooperation with the Governor to resolve the financial emergency and the Governor to designate the Office of the Chief Inspector General ("Governor's Designee") to serve as the lead entity responsible for coordinating the Governor's efforts in providing intervention and assistance to the City.

One element of exiting from a state of financial emergency is the development of a Five-Year Recovery Plan by the City, demonstrating the City's ability to satisfy the requirements necessary for restoration of the City's fiscal integrity. The City submitted a proposed Five-Year Recovery Plan to the State of Florida, which was approved in August 2020 without modification.



# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### **NOTE 21. MANAGEMENT'S REVIEW**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 28, 2021, the date the financial statements were available to be issued. There were no other significant events that management believed require disclosure.

### **NOTE 22. SUBSEQUENT EVENTS**

In December 2019, COVID-19 (Coronavirus) surfaced in Wuhan, China, and has spread around the Globe resulting in social and business disruption. The Coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the City could be significantly adversely affected. The extent to which the Coronavirus may impact governmental activity will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the Coronavirus and the actions required to contain it and to treat its impact. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

The City recouped \$901,927 from Miami-Dade County in March 2020, as a result of completing a three year backlog of the Charter County Transportation System Surtax Review. This amount is the City's portion of Surtax proceeds used in compliance with the Interlocal Agreement for Distribution, Use and Reporting of Charge County Transit System Surtax Proceeds levied by Miami Dade County after completing its annual surtax audit for the fiscal years ended September 30, 2017, September 30, 2016, and September 30, 2015.

In addition, the City recouped \$261,546 in May 2021, as a result of completing its annual surtax audit for fiscal year ended September 30, 2018.

### **NOTE 23. SUBSEQUENT EVENT – CAPITAL ASSET RESTATEMENT**

HCA Asset Management LLC ("HCA") performed a physical inventory of the City of Opa-locka Florida's (City) capital assets for the period beginning February 15, 2021 and reconciled through April 21, 2021. HCA physically verified the existence of the City's assets under the City's general capital asset guidelines. HCA also tagged all assets observed for future references.

Consistent with GASB Statement No. 34, best efforts were made by HCA to classified and report capital assets at historical costs. Depreciation associated with a given asset was calculated based upon the period placed into service and accumulated through September 30, 2019. As result of a complete inventory and related valuations, the year-end balance of the City's fixed assets as of September 30, 2019 required restatement.

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2019

### NOTE 23. SUBSEQUENT EVENT – CAPITAL ASSET RESTATEMENT (Continued)

The related capital assets balance for the year ended September 30, 2019 is as follows:

	<u>Original Balance</u> <u>as of 9/30/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Restated Balance</u> <u>as of 9/30/2019</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,980,457	\$ 1,090,066	\$ 457,514	\$ 3,613,009
Construction in progress	<u>2,114,944</u>	<u>-</u>	<u>-</u>	<u>2,114,944</u>
Total assets not being depreciated	<u>5,095,401</u>	<u>1,090,066</u>	<u>457,514</u>	<u>5,727,953</u>
Capital assets being depreciated:				
Buildings and improvements	19,498,959	1,796,854	958,355	20,337,458
Vehicles, furniture, and equipment	4,971,158	2,365,442	2,955,326	4,381,274
Infrastructure	<u>21,648,028</u>	<u>14,014,220</u>	<u>12,951,965</u>	<u>22,710,283</u>
Total assets being depreciated	<u>46,118,145</u>	<u>18,176,517</u>	<u>16,865,646</u>	<u>47,429,016</u>
Less accumulated depreciation:				
Buildings and improvements	(4,664,643)	(1,036,561)	877,810	(4,823,394)
Vehicles, furniture, and equipment	(4,754,438)	(1,960,722)	2,955,326	(3,759,834)
Infrastructure	<u>(17,175,782)</u>	<u>(6,413,412)</u>	<u>12,951,965</u>	<u>(10,637,229)</u>
Total accumulated depreciation	<u>(26,594,863)</u>	<u>(9,410,695)</u>	<u>16,785,101</u>	<u>(19,220,457)</u>
Total capital assets being depreciated, net	<u>19,523,282</u>	<u>8,765,822</u>	<u>33,650,747</u>	<u>28,208,559</u>
Governmental activities capital assets, net	<u>\$ 24,618,683</u>	<u>\$ 9,855,888</u>	<u>\$ 34,108,261</u>	<u>\$ 33,936,512</u>
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 14,762	\$ -	\$ -	\$ 14,762
Construction in progress	<u>4,790,244</u>	<u>-</u>	<u>-</u>	<u>4,790,244</u>
Total assets not being depreciated	<u>4,805,006</u>	<u>-</u>	<u>-</u>	<u>4,805,006</u>
Capital assets being depreciated:				
Buildings and improvements	-	6,176,247	-	6,176,247
Vehicles, furniture, and equipment	8,663,091	2,729,913	5,581,732	5,811,272
Infrastructure	<u>21,899,740</u>	<u>13,761,783</u>	<u>14,819,953</u>	<u>20,841,570</u>
Total assets being depreciated	<u>30,562,831</u>	<u>22,667,943</u>	<u>20,401,685</u>	<u>32,829,089</u>
Less accumulated depreciation:				
Buildings and improvements	-	(242,693)	(2,005,516)	(2,248,209)
Vehicles, furniture, and equipment	(6,685,371)	(1,929,134)	5,506,144	(3,108,361)
Infrastructure	<u>(15,642,992)</u>	<u>(4,646,165)</u>	<u>15,204,475</u>	<u>(5,084,682)</u>
Total accumulated depreciation	<u>(22,328,363)</u>	<u>(6,817,992)</u>	<u>18,705,103</u>	<u>(10,441,252)</u>
Total capital assets being depreciated, net	<u>8,234,468</u>	<u>15,849,951</u>	<u>1,696,582</u>	<u>22,387,837</u>
Business-type activities capital assets, net	<u>\$ 13,039,474</u>	<u>\$ 15,849,951</u>	<u>\$ 1,696,582</u>	<u>\$ 27,192,843</u>

Reconciliations, corrections, and reclassifications (as well as the HCA report) performed by the City were presented to us on June 1, 2022. These financial statements include the required revisions. Management has taken steps to ensure that future reliance on the initial report is discontinued.

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Other than MD&A)**

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# CITY OF OPA-LOCKA, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (NON-GAAP BUDGETARY BASIS – UNAUDITED)

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts			Difference from Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Taxes:				
Property taxes	\$ 8,092,596	\$ 8,092,596	\$ 7,984,161	\$ (108,435)
Utility taxes	62,749	62,749	77,475	14,726
Communications service taxes	-	-	-	-
Local option gas tax	-	-	-	-
Local business taxes	191,574	191,574	284,844	93,270
Franchise fees	1,497,041	1,497,041	1,962,804	465,763
Permits and fees	568,201	568,201	693,714	125,513
Intergovernmental	40,703	40,703	117,711	77,008
Charges for services	80,236	80,236	178,402	98,166
Fines and forfeitures	1,200,534	350,534	662,776	312,242
Interest	-	-	-	-
Other	180,100	180,100	460,559	280,459
Total revenues	11,913,734	11,063,734	12,422,446	1,358,712
<b>Expenditures:</b>				
General government:				
City commission	257,886	167,874	182,358	(14,484)
City manager	1,863,653	1,572,545	1,088,338	484,212
City clerk	425,589	425,589	398,005	27,584
City attorney	507,874	507,874	712,159	(204,285)
Finance	805,070	805,070	788,675	16,395
Information technology	-	-	-	-
Human resources	309,821	301,908	317,093	(15,185)
Building licenses	507,303	507,303	413,073	94,230
Community development	379,668	348,695	520,571	(171,876)
Town center	707,188	707,188	312,564	394,624
Total general government	5,764,052	5,344,046	4,732,830	611,216
Public safety:				
Police	6,849,668	6,372,100	6,235,397	136,703
Code enforcement	497,680	455,199	432,847	22,352
Total public safety	7,347,348	6,827,299	6,668,245	159,054
Public works:				
Administration	280,654	276,940	315,886	(38,946)
Sanitation	120,000	120,000	127,977	(7,977)
Street maintenance	910,946	960,849	884,621	76,228
Building maintenance	493,405	424,006	420,042	3,964
Vehicle maintenance	-	-	-	-
Total public works	1,805,005	1,781,795	1,748,526	33,269
Parks and recreation:				
Parks	633,826	591,521	543,626	47,895
Total parks and recreation	633,826	591,521	543,626	47,895
Non-departmental	595,000	595,000	-	595,000
Total non-departmental	595,000	595,000	-	595,000
Total expenditures	16,145,231	15,139,661	13,693,232	1,446,434
Excess of revenues over expenditures	(4,231,497)	(4,075,927)	(1,270,785)	(87,722)
Other financing sources (uses):				
Transfer in			978,660	
Total other financing sources (uses)			978,660	
Net change in fund balance			(292,125)	
Fund balance, beginning			(3,964,529)	
Prior period adjustment			2,043,855	
Fund balances, beginning restated			(1,920,674)	
Fund balance, ending			\$ (2,212,800)	

# CITY OF OPA-LOCKA, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CAPITAL IMPROVEMENT DEBT SERVICE (NON-GAAP BUDGETARY BASIS – UNAUDITED)

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	
Taxes:	\$ 1,244,098	\$ 1,244,098	\$ 1,463,590	\$ 219,492
Intergovernmental	2,251,269	2,251,269	2,065,062	(186,207)
Interest	-	-	33	33
Total revenues	<u>3,495,367</u>	<u>3,495,367</u>	<u>3,528,685</u>	<u>33,285</u>
 <b>Expenditures:</b>				
Current:				
General government:				
General government	-	-	8,007	(8,007)
Debt service:				
Principal	770,390	770,390	771,488	(1,098)
Interest	439,780	439,780	438,682	1,098
Reserves	-	-	-	-
Total debt service	<u>1,210,170</u>	<u>1,210,170</u>	<u>1,218,177</u>	<u>(8,007)</u>
Total expenditures	<u>1,210,170</u>	<u>1,210,170</u>	<u>1,218,177</u>	<u>(8,007)</u>
Excess of revenues over expenditures	<u>2,285,197</u>	<u>2,285,197</u>	<u>2,310,508</u>	<u>41,292</u>
 Other financing sources (uses):				
Transfer in			-	
Transfer out			(978,660)	
Total other financing sources (uses)			<u>(978,660)</u>	
Net change in fund balance			1,331,848	
Fund balance, beginning			6,583,852	
Prior period adjustment			(1,814,112)	
Fund balance, restated			<u>4,769,740</u>	
Fund balance, ending			<u>\$ 6,101,588</u>	

**CITY OF OPA-LOCKA, FLORIDA**  
**NOTES TO BUDGETARY SCHEDULE**  
**REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED SEPTEMBER 30, 2019

**NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING**

Chapter 166, Florida Statutes, requires that all municipalities prepare, approve, adopt, and execute an annual budget for funds as may be required by law or by sound financial practices and generally accepted accounting principles. The budgets control the levy and the expenditure of money for City purposes in the ensuing fiscal year. The budgeting process is based on estimates of revenues and expenditures. The City budgets are prepared on a modified-accrual basis or accrual basis of accounting in accordance with generally accepted accounting principles.

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to August 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. Budgetary control is maintained at the departmental and fund level, with finance department providing support to departments in the administration of their budgets. In accordance with the City's budget transfer policy, the City Manager is authorized to transfer budgeted amounts within any fund or functions; however, any supplemental appropriations or revisions that amend the total expenditure of any fund must be approved by the City Commission. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbrances outstanding at the balance sheet date are canceled.
5. Annual operating budgets are legally adopted for the General, Special Revenue, Debt Service, Capital Projects, and Enterprise Funds. All budgets are on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is the department level. This is the level at which expenditures may not exceed appropriations.
6. All annual appropriations lapse at fiscal year-end.

**NOTE 2. BUDGETARY EXPENDITURES IN EXCESS OF APPROPRIATIONS**

For the year ended September 30, 2019, expenditures exceeded appropriations in, general government, under city commission, city attorney, human resources, and community development of the general fund. Overall, general fund increased its revenues positively by \$1.36 million and reduced its budgeted expenses by \$1.4 million.

For the year ended September 30, 2019, the City had funds withheld by the State of Florida, as a result of the City's noncompliance with Section 11.40(2)(a), Florida Statutes, which authorized the Joint Legislative Audit Committee to direct the Department of Revenue and the Department of Finance Services to withhold selected state revenues from municipalities that have failed to file an Annual Financial Report (AFR) and an annual financial audit report (if required), revenues were reduced overall by (\$33,285) in total pledged revenue for this fund, while actual debt service and expenditures increased by \$8,007 over budget, however overall the change in fund balance was a positive \$1,331,848 reported as of September 30, 2019.

# CITY OF OPA-LOCKA, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – FLORIDA RETIREMENT SYSTEM PENSION PLAN SEPTEMBER 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City of Opa-locka's proportion of the net pension liability	0.0231%	0.0266%	0.0259%	0.0343%	0.0357%
City of Opa-locka's proportionate share of the net pension liability	\$ 7,949,247	\$ 8,031,493	\$ 7,654,405	\$ 8,653,259	\$ 4,610,060
City of Opa-locka's covered-employee payroll	\$ 6,716,687	\$ 7,134,236	\$ 6,394,032	\$ 7,395,338	\$ 9,279,820
City of Opa-locka's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	118.35%	112.58%	119.67%	117.01%	49.68%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	92.00%

Note: The amounts presented for each fiscal year were determined as of June 30<sup>th</sup>.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

# CITY OF OPA-LOCKA, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE CITY'S CONTRIBUTIONS – FLORIDA RETIREMENT SYSTEM PENSION PLAN SEPTEMBER 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 896,903	\$ 926,137	\$ 852,437	\$ 983,512	\$ 1,086,534
Contributions in relation to the contractually required contribution	<u>896,903</u>	<u>926,137</u>	<u>852,437</u>	<u>983,512</u>	<u>1,086,534</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Opa-locka's covered-employee payroll	\$ 6,716,687	\$ 7,134,236	\$ 6,394,032	\$ 7,395,338	\$ 9,279,820
Contributions as a percentage of covered-employee payroll	13.35%	12.98%	13.33%	13.30%	11.71%

Note: The amounts presented for each fiscal year were determined as of September 30<sup>th</sup>.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.



# CITY OF OPA-LOCKA, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – HEALTH INSURANCE SUBSIDY PENSION PLAN SEPTEMBER 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City of Opa-locka's proportion of the net pension liability (asset)	0.0198%	0.0215%	0.0195%	0.0270%	0.0309%
City of Opa-locka's proportionate share of the net pension liability (asset)	\$ 2,211,518	\$ 2,282,255	\$ 2,082,612	\$ 3,144,569	\$ 3,151,008
City of Opa-locka's covered-employee payroll	\$ 6,716,687	\$ 7,134,236	\$ 6,394,032	\$ 7,395,338	\$ 9,279,820
City of Opa-locka's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.93%	31.99%	32.57%	42.52%	33.96%
Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%	0.97%	0.50%

Note: The amounts presented for each fiscal year were determined as of June 30<sup>th</sup>.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

# CITY OF OPA-LOCKA, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE CITY'S CONTRIBUTIONS – HEALTH INSURANCE SUBSIDY PENSION PLAN SEPTEMBER 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 135,611	\$ 141,785	\$ 129,528	\$ 161,304	\$ 156,110
Contributions in relation to the contractually required contribution	<u>135,611</u>	<u>141,785</u>	<u>129,528</u>	<u>161,304</u>	<u>156,110</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Opa-locka's covered-employee payroll	\$ 6,716,687	\$ 7,134,236	\$ 6,394,032	\$ 7,395,338	\$ 9,279,820
Contributions as a percentage of covered-employee payroll	2.02%	1.99%	2.03%	2.18%	1.68%

Note: The amounts presented for each fiscal year were determined as of September 30<sup>th</sup>.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

# CITY OF OPA-LOCKA, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE CITY'S TOTAL – OTHER POST EMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS SEPTEMBER 30, 2019

### Total OPEB Liability

Service cost	\$	28,827
Interest		13,113
Changes in assumptions		2,184
Benefit payments		<u>(8,887)</u>
Net change in Total OPEB liability		35,237
Total OPEB liability -beginning as restated		<u>341,870</u>
Total OPEB liability -ending	\$	<u>377,107</u>
Covered employer payroll		N/A
Total OPEB liability as a % of covered employee payroll		N/A

### Notes to schedule

1. Changes of assumptions – Discount rate was changed as follows:

Discount Rate	
9/30/2018	3.64%
9/30/2019	3.58%
2. The information in this schedule is not required to be presented retroactively. Therefore, years will be added to this schedule in future years until ten years of information are available.

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**OTHER SUPPLEMENTARY INFORMATION**

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# CITY OF OPA-LOCKA, FLORIDA

## COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2019

	<u>Special Law Enforcement</u>	<u>People's Transportation Tax</u>	<u>Community Redevelopment Agency</u>	<u>Safe Neighborhood Capital Projects</u>	<u>Total</u>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 264,734	\$ 105,100	\$ 628,608	\$ 134,553	\$ 1,132,994
Due from other funds	410,529	2,038,094	342,502	2,605,968	5,397,093
Due from other governments	-	2,071,694	-	100,000	2,171,694
Restricted cash and cash equivalents	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,104</u>	<u>69,104</u>
Total current assets	<u>675,263</u>	<u>4,214,888</u>	<u>971,110</u>	<u>2,909,625</u>	<u>8,770,885</u>
 Total assets	 <u>\$ 675,263</u>	 <u>\$ 4,214,888</u>	 <u>\$ 971,110</u>	 <u>\$ 2,909,625</u>	 <u>\$ 8,770,885</u>
 <b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 4,406	\$ 53,314	\$ 70,204	\$ 240,114	\$ 368,039
Due to other funds	<u>126</u>	<u>3,030,918</u>	<u>121,006</u>	<u>2,513,049</u>	<u>5,665,100</u>
Total current liabilities	<u>4,532</u>	<u>3,084,232</u>	<u>191,210</u>	<u>2,753,163</u>	<u>6,033,138</u>
 Total liabilities	 <u>4,532</u>	 <u>3,084,232</u>	 <u>191,210</u>	 <u>2,753,163</u>	 <u>6,033,138</u>
 <b>NET POSITION</b>					
Restricted for:					
CRA	-	-	779,900	-	779,900
Public safety	670,731	-	-	-	670,731
Transportation	-	1,130,655	-	-	1,130,655
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,461</u>	<u>156,461</u>
Total Fund Balances	<u>670,731</u>	<u>1,130,655</u>	<u>779,900</u>	<u>156,461</u>	<u>2,737,747</u>
Total Liabilities and Fund Balances	<u>\$ 675,263</u>	<u>\$ 4,214,888</u>	<u>\$ 971,110</u>	<u>\$ 2,909,625</u>	<u>\$ 8,770,885</u>

# CITY OF OPA-LOCKA, FLORIDA

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NON-MAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2019

	<u>Special Law Enforcement</u>	<u>People's Transportation Tax</u>	<u>Community Redevelopment Agency</u>	<u>Safe Neighborhood Capital Projects</u>	<u>Total</u>
<b>REVENUES</b>					
Property Taxes	\$ -	\$ -	\$ 555,288	\$ -	\$ 555,288
Local option, use and fuel taxes	-	-	-	316,921	316,921
Intergovernmental	2,395	1,012,246	-	-	1,014,641
Charges for services	<u>9,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,310</u>
Total revenues	<u>11,705</u>	<u>1,012,246</u>	<u>555,288</u>	<u>316,921</u>	<u>1,896,159</u>
<b>EXPENSES</b>					
Current:					
General government	\$ -	\$ -	\$ 66,660	\$ -	\$ 66,660
Public safety	4,406	-	-	-	4,406
Transportation	<u>-</u>	<u>998,090</u>	<u>-</u>	<u>57,070</u>	<u>1,055,160</u>
Total expenses	<u>4,406</u>	<u>998,090</u>	<u>66,660</u>	<u>57,070</u>	<u>1,126,226</u>
Excess (deficiency) of revenues over expenditures	<u>7,299</u>	<u>14,156</u>	<u>488,628</u>	<u>259,851</u>	<u>769,933</u>
Net change in fund balances	7,299	14,156	488,628	259,851	769,933
Fund balances, beginning	663,432	1,343,940	291,272	(103,389)	2,195,254
Prior period adjustment	-	(227,441)	-	-	(227,440)
Fund balances, beginning restated	<u>663,432</u>	<u>1,116,499</u>	<u>291,272</u>	<u>(103,389)</u>	<u>1,967,814</u>
Fund balances, ending	<u>\$ 670,731</u>	<u>\$ 1,130,655</u>	<u>\$ 779,900</u>	<u>\$ 156,461</u>	<u>\$ 2,737,747</u>

# CITY OF OPA-LOCKA, FLORIDA

## COMBINING STATEMENT OF NET POSITION BALANCES NON-MAJOR ENTERPRISE FUNDS

SEPTEMBER 30, 2019

	<u>Solid Waste</u>	<u>Storm Water</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ -	\$ 2,022,257	\$ 2,022,257
Accounts receivable, net	-	347,785	347,785
Due from other funds	1,690,264	705,945	2,396,209
Due from other governments	-	38,514	38,514
Restricted cash and cash equivalents	-	<u>110,000</u>	<u>110,000</u>
Total current assets	<u>1,690,264</u>	<u>3,224,501</u>	<u>4,914,765</u>
Non-current assets:			
Capital assets, non-depreciable	-	289,056	289,056
Capital assets, depreciable	<u>(1)</u>	<u>31,990</u>	<u>31,990</u>
Total non-current assets	<u>(1)</u>	<u>321,046</u>	<u>321,046</u>
Total assets	<u>\$ 1,690,263</u>	<u>\$ 3,545,547</u>	<u>\$ 5,235,810</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 264,764	\$ 264,764
Due to other funds	1,649,066	1,372,918	3,021,985
Customer deposits	<u>64,144</u>	<u>1</u>	<u>64,145</u>
Total current liabilities	<u>1,713,210</u>	<u>1,637,683</u>	<u>3,350,893</u>
Non-current liabilities:			
Compensated absences	-	28,311	28,311
OPEB obligation	-	3,996	3,996
Other long term debt	<u>-</u>	<u>530,972</u>	<u>530,972</u>
Total non-current liabilities	<u>-</u>	<u>563,278</u>	<u>563,278</u>
Total liabilities	<u>1,713,210</u>	<u>2,200,961</u>	<u>3,914,171</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	(1)	321,046	321,046
Unrestricted	<u>(22,946)</u>	<u>1,023,540</u>	<u>1,000,594</u>
Total Net Position	<u>\$ (22,947)</u>	<u>\$ 1,344,586</u>	<u>\$ 1,321,639</u>

# CITY OF OPA-LOCKA, FLORIDA

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION—NON-MAJOR ENTERPRISE FUNDS

SEPTEMBER 30, 2019

	<u>Stormwater</u>	<u>Solid Waste</u>	<u>Total</u>
<b>Operating revenues:</b>			
Charges for services	\$ 1,535,691	\$ -	\$ 1,535,691
Total operating revenues	<u>1,535,691</u>	<u>-</u>	<u>1,535,691</u>
<b>Operating expenses:</b>			
Operating, administrative and maintenance	703,709	-	703,709
Depreciation	-	-	-
Bad debts and other	<u>691,979</u>	<u>-</u>	<u>691,979</u>
Total operating expenses	<u>1,395,688</u>	<u>-</u>	<u>1,395,688</u>
Non-operating revenues (expenses):			
Interest and other debt costs	<u>2,764</u>	<u>-</u>	<u>2,764</u>
Total non-operating revenues (expenses)	<u>2,764</u>	<u>-</u>	<u>2,764</u>
Change in net position	<u>137,240</u>	<u>-</u>	<u>137,240</u>
Net position, beginning	1,064,962	(22,947)	1,042,015
Prior period adjustment	<u>142,384</u>	<u>-</u>	<u>142,384</u>
Net position, beginning restated	<u>1,207,346</u>	<u>(22,947)</u>	<u>1,184,399</u>
Net position, ending	<u>\$ 1,344,586</u>	<u>\$ (22,947)</u>	<u>\$ 1,321,639</u>



# CITY OF OPA-LOCKA, FLORIDA

## COMBINING STATEMENT OF CASH FLOWS NON-MAJOR ENTERPRISE FUNDS

SEPTEMBER 30, 2019

	<u>Stormwater</u>	<u>Solid Waste</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 1,132,107	\$ -	\$ 1,132,107
Cash paid to vendors	(619,661)	-	(619,661)
Cash paid to employees	(84,047)	-	(84,047)
Receipts from other governments	<u>5,924</u>	<u>-</u>	<u>5,924</u>
Net cash provided by operating activities	<u>434,323</u>	<u>-</u>	<u>434,323</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfer from (to) other funds	<u>398,864</u>	<u>-</u>	<u>398,864</u>
Net cash provided by noncapital financing activities	<u>398,864</u>	<u>-</u>	<u>398,864</u>
<b>Cash flows from capital and related financing activities:</b>			
Interest paid on long term debt	<u>(2,764)</u>	<u>-</u>	<u>(2,764)</u>
Net cash used in capital and related financing activities	<u>(2,764)</u>	<u>-</u>	<u>(2,764)</u>
Net increase (decrease) in cash	830,423	-	830,423
Cash, beginning	<u>1,301,834</u>	<u>-</u>	<u>1,301,834</u>
Cash, ending	<u>2,132,257</u>	<u>-</u>	<u>2,132,257</u>
<b>Display as:</b>			
Unrestricted	2,022,257	-	2,022,257
Restricted	<u>110,000</u>	<u>-</u>	<u>110,000</u>
Total	<u>\$ 2,132,257</u>	<u>\$ -</u>	<u>\$ 2,132,257</u>
<b>Reconciliation of operating income to cash provided by operating activities:</b>			
Operating (loss)	\$ 137,240	\$ -	\$ 137,240
<b>Adjustment to reconciled operating income to net cash provided by (used in) operating activities:</b>			
Depreciation	-	-	-
<b>Increase (decrease) in:</b>			
Accounts receivable	180,025	-	180,025
Due from other governments	5,924	-	5,924
Due from other funds	(164,414)	727	(163,687)
<b>Increase (decrease) in:</b>			
Accounts payable and accrued liabilities	43,148	-	43,148
Customer deposits	-	(727)	(727)
Compensated absences	(11,408)	-	(11,408)
Other liabilities and pension	(16,921)	-	(16,921)
Due to other funds	260,729	-	260,729
Other	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 434,323</u>	<u>\$ -</u>	<u>\$ 434,323</u>

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## **COMPLIANCE SECTION**

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# ANTHONY BRUNSON P.A.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of the City Council  
City of Opa-locka, Florida

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The City of Opa-locka, ("Opa-locka") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Opa-locka's basic financial statements and have issued our report thereon dated June 28, 2021.

### Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of Opa-locka, we considered Opa-locka's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Opa-locka's internal control. Accordingly, we do not express an opinion on the effectiveness of Opa-locka's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. **2019-01, 2019-02, 2019-03, 2017-01, 2017-02, 2017-03, 2017-04, 2017-05, 2015-01, and 2015-03.**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. **2017-06, 2015-02, and 2014-01.**

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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**Miramar Office**  
3350 SW 148<sup>th</sup> Avenue | Suite 110  
Miramar, FL 33027  
(954) 874-1721

CLIENT FOCUSED: SOLUTION DRIVEN

[info@abcpasolutions.com](mailto:info@abcpasolutions.com)

**Miami Office**  
801 Brickell Avenue | Suite 800  
Miami, FL 33131  
(305) 789-6673

## Compliance and Other Matters

In connection with our engagement to audit the financial statements of Opa-locka, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item **2015-05**. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

## City of Opa-locka's Response to Findings

Opa-locka's response to the findings identified in our engagement is described in the accompanying schedule of findings and questioned costs. Opa-locka's response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Miami, Florida  
June 28, 2021



# ANTHONY BRUNSON P.A.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Honorable Mayor and Members of the City Council  
City of Opa-locka, Florida

### Report on Compliance for Each Major Federal Program

We have audited City of Opa-locka, (the "City") Florida's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

### *Management's Responsibility*

Management is responsible for compliance with federal regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("*Uniform Guidance*"); Those standards and the Uniform Guidance, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

### Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

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**Miramar Office**  
3350 SW 148<sup>th</sup> Avenue | Suite 110  
Miramar, FL 33027  
(954) 874-1721

CLIENT FOCUSED: SOLUTION DRIVEN

[info@abcpasolutions.com](mailto:info@abcpasolutions.com)

**Miami Office**  
801 Brickell Avenue | Suite 800  
Miami, FL 33131  
(305) 789-6673

## Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project, and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 28, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Miami, Florida  
June 28, 2021

**CITY OF OPA-LOCKA, FLORIDA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**Section I - Summary of Auditors' Results**

***Financial Statements***

**Type of Auditors' Report Issued**

**Unmodified**

Internal control over financial reporting:

- Material weaknesses identified?  Yes  No
- Significant deficiency identified that are not considered to be material weaknesses?  Yes  No
- Non-compliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified?  Yes  No
- Significant deficiency identified that are not considered to be material weaknesses?  Yes  None Reported

**Type of Auditors' Report Issued on Compliance for Major Program: Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Section 200.516 the Uniform Guidance  Yes  No

**Identification of Major Programs:**

<b>CFDA Numbers</b>	<b>Name of Federal Program or Cluster</b>
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between

**Type A and Type B** programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

# CITY OF OPA-LOCKA, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

### **Section II – Current Year - Financial Statement Findings**

#### *Material Weakness*

#### **2019-01 Support for Water and Sewer Consumption**

##### **Condition**

We were not able to obtain and review the source documentation for water and sewer consumption calculations used in the utility billing process.

##### **Criteria**

Pertinent accounting records should be secured and retained as a standard business practice.

##### **Cause of Condition**

The computer housing, Itron MV-RS meter reading software used to record consumption for water and sewer was reprioritized by IT for other uses, and a backup of the consumption data records was not retained. In addition, records to show the basis for calculation of consumption estimates used in the billing process were not retained.

##### **Potential effect of Conditions**

Water and sewer revenues recorded for the year cannot be re-calculated, and the revenue balance may be misstated.

##### **Recommendation**

The City should retain all pertinent documentation and records that support their account activity and balances pursuant to Florida statutes record retention policy.

##### **View of Responsible Officials and Planned Corrective Actions**

It should be clarified that pursuant to Florida Statute's record retention policy, all pertinent documentation and records that support the City's revenue activity and accounts receivable balances are maintained on the City's server within the Utility Billing system referred to as SunGard (e-Community).

It is also noted that when estimated billings are used, the basis for calculation of consumption in the billing process is a procedure authorized by City Ordinance Section 21-93. This Ordinance states that in the event any meter has been damaged, destroyed or required repair, or in the event any meter is found to be defective or has ceased to register, said meter will be adjusted, repaired, or changed and the department will estimate the bill for the period, either by adopting and using the registration of a correct meter or by comparison with the amount charged during the corresponding period of the previous year, taking into account the capacity of the installation.



# CITY OF OPA-LOCKA, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

### **Section II – Current Year - Financial Statement Findings (Continued)**

#### *Material Weakness (cont'd)*

#### **2019-01 Support for Water and Sewer Consumption (cont'd)**

##### **View of Responsible Officials and Planned Corrective Actions (cont'd)**

Furthermore, the Itron MV-RS meter reading software (also known as handheld computer) previously used to record consumption is a device that served the purpose of reading each customers' meter and then transferring the resulting consumption data to the City's Utility Billing system (UB) known as SunGard (e-Community).

Once the consumption data was transferred from the Itron MV-RS meter reader to the City's server, it was saved and is presently retained on the City's server to this date. The utility billing consumption data for FY2019 is still currently being viewed and relied upon on the server by authorized City staff. The FY2019 utility billing consumption data includes those customer accounts that were not yet transferred to the management of Miami-Dade County Water and Sewer Department (the "County" or "WASD") through the agreement ratified by both the City and the County on August 4, 2017. Sample reports from the server, such as monthly consumption data for each customer and their respective payment log per customer were generated as of this writing and are available for review by the external auditor.

It is also clarified that although more than 5,000 customer utility billing accounts were transferred to WASD for outsourced management of the utility billing process on behalf of the City, the data for the City's utility billing customers currently being billed by WASD are available upon request by the City.

# CITY OF OPA-LOCKA, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

### **Section II – Current Year - Financial Statement Findings (Continued)**

#### *Material Weakness*

#### **2019-02 Untimely Recognition of Half Cent Tax Revenue**

##### **Condition**

The City did not deposit checks sent by the State of Florida in FY2019 for Half Cent Tax revenue, a part of the Capital Projects Debt Service revenue for July 2019 and August 2019 amounting to approximately \$231,000. Per the City, the checks were never received and thus never deposited. As a result, these funds were recorded by the State of Florida as unclaimed property. The State subsequently deposited the funds into the City's bank account in September 2020, and because the City did not know what these funds were for, proceeds were recorded as miscellaneous income in FY2020.

##### **Criteria**

Comprehensive review and reconciliation of revenue accounts should be performed timely to ensure the completeness and accuracy of cash proceeds.

##### **Cause of Condition**

The City did not fully investigate the source of proceeds prior to its revenue recognition.

##### **Potential effect of Conditions**

The inability to determine completeness of revenue may increase the City's exposure to fraud and the potential for misappropriation of resources. In addition, it impedes efficient cashflow management and may result in improper revenue recognition and potential loss of income.

##### **Recommendation**

Management should enhance its control environment over the revenue and receivables process to ensure timely and proper recognition of revenue.

##### **View of Responsible Officials and Planned Corrective Actions**

The City concurs that it should enhance its control environment over the revenue and receivables process to ensure timely and proper recognition of revenue. The corrective actions taken to address this includes but are not limited to the following:

- Active recruitment within the Finance Department; and management's review of a necessary budget revision to hire additional resources such as a Finance Director, Senior Accountants with the knowledge, experience, and capability to perform a comprehensive review and reconciliation of revenue and receivable accounts on a timely basis. The City's Finance Department has not been operating at full capacity on an ongoing basis and lacks sufficient staffing to address all of the following: (1) day to day operations, (2) back log of financial and compliance audits, (3) reconciliation of all governmental and business type activity accounts, (4) addressing research and correction of errors related to the prior periods, (5) complex and ongoing assignments and special projects.

# CITY OF OPA-LOCKA, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

### **Section II – Current Year - Financial Statement Findings (Continued)**

#### *Material Weakness (cont'd)*

#### **2019-02 Untimely Recognition of Half Cent Tax Revenue (cont'd)**

##### **View of Responsible Officials and Planned Corrective Actions (cont'd)**

- At such time, that the hiring is completed, continued use of temporary staff persons to monitor, analyze, and prepare journal entries to record the revenue and accounts receivable activity will be done, along with a schedule of routine and monthly transactions. Training on accounting policies and procedures and the City's revenue budget will be provided as a guide to assure that proper recording of revenues expected are timely posted. The use of the budget will alert staff to perform research and make inquiries when certain revenue is not received as scheduled.

Management expects that implementation of the corrective action stated above will enhance its control environment over the revenue and receivables process.

# CITY OF OPA-LOCKA, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

### **Section II – Current Year - Financial Statement Findings (Continued)**

#### *Material Weakness*

#### **2019-03 Inaccurate Calculation and Accrual of Department of Environmental Resources Management (DERM) Revenue**

##### **Condition**

The DERM service fee revenue was accrued at 8% but paid to Miami Dade County at 6%. Although the rate changed from 8% to 6% effective October 1, 2017, the City continued to accrue the DERM at the old rate. As a result, there is more revenue accrued compared to the actual DERM payment to Miami-Dade County for the same period overstating revenue by approximately \$182,000.

##### **Criteria**

Per Section 24-34 of the Code of Miami-Dade County (the County), “Each water or sewer utility shall collect from its customers and pay to the County a County service fee equal to eight dollars (\$8.00) per each one hundred dollars (\$100.00) of the receipts of said utility derived from its water and/or sewer utility operations conducted within the County to cover the cost of providing certain environmental services to and certain environmental regulation of said water or sewer utilities. Effective October 1, 2017, the service fee shall be reduced to \$6.00 per each \$100.00 of the receipts of each water or sewer utility derived from its water and/or sewer utility operations conducted within the County.”

##### **Cause of Condition**

The City is accruing DERM revenue at a higher rate than is required by or remitted to the County.

##### **Potential effect of Conditions**

This results in the overstatement of DERM revenue.

##### **Recommendation**

The City must accrue for DERM revenue at the rate stipulated by the County’s Code.

##### **View of Responsible Officials and Planned Corrective Actions**

This condition has been resolved. In addition, the City is taking corrective action, to review customer’s accounts for adjustment of the two (2) percent difference.

# CITY OF OPA-LOCKA, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

### **Section III – Prior Year - Financial Statement Findings and Status**

#### *Material Weakness*

#### **2017-01 Florida Auditor General Report Findings**

##### **Condition**

On May 23, 2019, the Auditor General of the State of Florida prepared a report on the City, pursuant to an operational audit conducted by the Agency. As a result of the audit, multiple findings and recommendations were submitted to City seeking actual or proposed corrective actions.

##### **Criteria**

Prudent accounting practices include policies, procedures, and controls over the safeguarding, recording, processing, and reporting of the City's financial Operations and transactions.

##### **Recommendation**

We recommend that the City designate a member of management take timely action to resolve issues identified or proposed action plans to formally address issues cited as soon as time permits.

##### **Current Year Status**

The Auditor General report dated May 23, 2019, contained 99 findings and related recommendations. Many items prescribed in the proposed corrective action plan were addressed; however, several items remain open.

##### **View of Responsible Officials and Planned Corrective Actions**

The City has undertaken a rigorous program of correcting prior issues where practical and is developing documented policies and procedures where appropriate to establish guidance and checks and balances to avoid a recurrence of these problems in the future. At this time, 30 findings have been deemed as satisfactorily completed, with work underway on the remainder.

The Government Finance Officers Association (GFOA) recommends that every government should consider the feasibility of establishing a formal internal audit function to help management maintain a comprehensive framework of internal controls and that if not feasible, the local government is encouraged to consider (1) assigning internal audit responsibilities to its regular employees or (2) obtaining the services of an accounting firm (other than the independent auditor) for the purposes;

- The internal audit function should be established formally by charter, enabling resolution, or other appropriate legal means, which should include the scope of work, who the internal auditor reports to (i.e. top management and/or the audit committee/governing body), submission of an annual report, and the auditing standard(s) to follow;

# CITY OF OPA-LOCKA, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

### **Section III – Prior Year - Financial Statement Findings and Status (Continued)**

#### *Material Weakness (cont'd)*

#### **2017-01 Florida Auditor General Report Findings (cont'd)**

##### **View of Responsible Officials and Planned Corrective Actions (cont'd)**

- It is recommended that internal auditors of state and local governments conduct their work in accordance with the professional standards relevant to internal auditing contained in the U.S. General Accounting Office's publication *Government Auditing Standards*, including those applicable to the independence of internal auditors;
- At a minimum, the head of the internal audit function should possess a college degree and appropriate relevant experience. It also is highly desirable that the head of the internal audit function hold some appropriate form of professional certification (e.g., certified internal auditor, certified public accountant, certified information systems auditor); and
- All reports of internal auditors, as well as the annual internal audit work plan, should be made available to the government's audit committee or its equivalent.

In review of the City's Five-Year Financial Recovery Plan produced by the City in fiscal year 2020-2021, there is limited capacity for additional staffing and an internal auditor is not envisioned at this time. The City believes based on operational and financial data known at this time, that it is not feasible to establish a separate internal audit function at this time. However, it is considering assigning internal audit responsibilities to its regular employees by creating an Internal Audit Committee to brief the City Manager on an advisory basis internally in the near future.

# CITY OF OPA-LOCKA, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

### **Section III – Prior Year - Financial Statement Findings and Status (Continued)**

#### *Material Weakness*

#### **2017-02 Strengthen Staff Resources in the Finance and Accounting Department**

##### **Condition**

In performing the City's audits, we noted conditions of personnel turnover as well as a lack of full-time employees who possess the skills, knowledge, and experience in the governmental industry.

##### **Criteria**

The City should have available finance and/or accounting staff members who understand and have experience in the accounting and financial reporting requirements of the governmental industry.

##### **Recommendation**

We recommend that the City assess the accounting department staffing needs as well as hire an experienced governmental accounting person or trained existing staff member to enhance their skill sets.

##### **Current Year Status**

An initial working trial balance (WTB) was received from the City's Finance and Accounting department on March 24, 2021, for the fiscal year ended September 30, 2019. During field work for this engagement, 52 audit adjustments with approximately 1,350 data entry lines cumulatively adding to \$51,984,500, were required to correct the original WTB submission. A complete assessment of the skillset and knowledge of the City's team is required to address required daily tasks.

##### **View of Responsible Officials and Planned Corrective Actions**

The City is currently advertising the recruitment of an experienced governmental accounting professional to employ as the Finance Director. In addition, the City has assessed and identified areas of weakness in the Finance Department to make corrective action, and provide the necessary resources and tools to further strengthen the department. The City has added an additional resource consultant to assist with providing the government accounting experience on an interim basis. Lastly, the City has had improvements in the audit adjustments, by reducing audit adjustments from more than 150 to 52 in the current fiscal year, which demonstrates the City's methods are being enhanced.

# CITY OF OPA-LOCKA, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

### Section III – Prior Year - Financial Statement Findings and Status (Continued)

#### *Material Weakness*

#### **2017-03 There is No Physical Inventory of Infrastructure and Fixed Assets**

##### **Condition**

The City has not performed a physical inventory of infrastructure assets or other capital assets owned by the City.

##### **Criteria**

The implementation of GASB 34 established financial reporting standards for state and local governments. In connection therewith, the recognition of major general infrastructure assets is required to be capitalized and reported.

##### **Recommendation**

We recommend that the City perform a physical inventory of its infrastructure and capital assets and soon as time permits.

##### **Current Year Status**

On April 21, 2021, the City received an appraisal and physical inventory report for the infrastructure and fixed assets of the City. Hence, item is no longer applicable.

##### **View of Responsible Officials and Planned Corrective Actions**

Since this corrective action was taken as soon as time permitted, management recommends that this Finding be closed and will budget the performance of a physical inventory count.



# CITY OF OPA-LOCKA, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

### Section III – Prior Year - Financial Statement Findings and Status (Continued)

#### *Material Weakness*

#### **2017-04 Reconciliation of Cash Accounts**

##### **Condition**

During review of cash accounts, we noted that the account reconciliation was not accurately completed. For governmental funds checks totaling \$35,560 that cleared the bank account prior to September 30, 2017, were included in reconciling listing of outstanding as of September 30, 2017. For the water and sewer fund checks totaling \$583,141 that cleared the bank prior to September 30, 2017, were included in the reconciling listing of outstanding checks as of September 30, 2017.

##### **Criteria**

Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements.

##### **Cause**

Failure of the City to perform timely reconciliation of cash accounts.

##### **Effect**

Material journal entries were proposed to correct errors and misstatements.

##### **Recommendation**

We recommend that the bank reconciliations be reviewed for accuracy and completeness on a timely basis by the someone with the appropriate skill-set identify significant discrepancies. The review should include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents.

##### **Current Year Status**

Bank reconciliations were not fully completed for the fiscal year ended September 30, 2019, until the month of March 2021.

In addition, as a result of reconciling discrepancies, audit adjustments amounting to approximately \$1.1 million were posted to adjust the cash balances at year end.

# CITY OF OPA-LOCKA, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

### **Section III – Prior Year - Financial Statement Findings and Status (Continued)**

#### *Material Weakness*

#### **2017-04 Reconciliation of Cash Accounts (cont'd)**

##### **View of Responsible Officials and Planned Corrective Actions**

For multiple years, the City's Finance Department was functioning without the required staffing levels and supervisory oversight. However, in recent years, the City has implemented corrective action to reconcile cash activity on a monthly basis and has created policies and procedures to improve the preparation and monitoring controls over the bank reconciliation process.

Additionally, the City has hired two Staff Accountants to be responsible for completing the bank reconciliations and applicable journal entries on a monthly basis and has demonstrated progress in this area.

To strengthen the timeliness of these reconciliations, the City's Consultant began holding weekly briefing meetings with these Staff Accountants to ensure that the bank reconciliation process is being properly completed as planned. These weekly meetings provide structure and enhance the Finance Department's ability to produce bank reconciliation of cash on a timely basis, and creates a plan to get current on producing bank reconciliations.

# CITY OF OPA-LOCKA, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

### **Section III – Prior Year - Financial Statement Findings and Status (Continued)**

#### *Material Weakness*

#### **2017-05 Internal Control Over Payroll Processing and Personnel File Maintenance**

##### **Condition**

During our review of payroll and personnel files we noted the following:

- There were discrepancies between the payrate documented on the Payroll register and the payrate documented personnel files
- Proper documentation to support pay rates were not available in all personnel files
- There was no evidence of proper approval on timesheets
- There was no evidence that payroll transactions including journal entries were properly reviewed and approved prior to posting to the general ledger

##### **Criteria**

Prudent accounting practices include policies, procedures and controls over the recording, processing, and reporting of accounting events and transactions.

##### **Cause of Condition**

Failure to design and implement adequate internal controls over payroll and personnel file maintenance.

##### **Potential Effect of Condition**

Unauthorized or fraudulent transactions could be posted, additionally lack of adequate reviews and approvals could result in financial statement misstatements.

##### **Recommendation**

We recommend that the City design and implement adequate internal controls and policies and procedures for payroll processing and personnel file maintenance.

# CITY OF OPA-LOCKA, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

### Section III – Prior Year - Financial Statement Findings and Status (Continued)

#### *Material Weakness*

#### **2017-05 Internal Control Over Payroll Processing and Personnel File Maintenance (cont'd)**

##### **Current Year Status**

The City appears to have addressed many of the findings noted above. However, certain record retention and employment file documentation issues remain.

##### **View of Responsible Officials and Planned Corrective Actions**

The City has reviewed the internal control finding on discrepancies between the pay rate as documented in the Payroll System and the pay rate as documented on personnel files. We concur and the following procedures have been implemented during the subsequent period.

- On a monthly basis, and prior to the processing of the first payroll of the month, the City's Human Resources Director will be required to process a "Payroll Pay Rate Report" to monitor and review discrepancies and the completeness of personnel files.
- To ensure that there is clear evidence of proper approval on timesheets, the City has developed an electronic timesheet approval process within its ADP payroll system. This system includes an automatic cross reference mechanism that ties each employee's name to a specific supervisor. Should an attempt be made to approve an employee's time by an unauthorized supervisor, that employee's time will be rejected in the system, until the properly matched supervisor has approved the timesheet. An electronic timesheet approval process is currently in effect.
- The payroll register for each payroll period is currently reviewed by the Finance Director or designated personnel to perform this supervisory function with a signature as evidence of review to demonstrate reasonableness of the payroll process.
- The policies and procedures for payroll processing and personnel file maintenance are available for review upon request.

With the auditor's confirmation that the above internal control items are currently in effect at the City, management requests that this finding be closed.

# CITY OF OPA-LOCKA, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

### Section III – Prior Year - Financial Statement Findings and Status (Continued)

#### *Significant Deficiency*

#### **2017-06 Pension Plan Remittance**

##### **Condition**

During our review of the 457 Pension plan payments, we noted that for 5 months during fiscal year 2017 the City failed to remit funds in a timely manner as outlined in the DOL regulations.

##### **Criteria**

The City participates in a deferred compensation plan as described in IRC section 457. Pursuant to the Department of Labor (DOL) regulations participants contributions received by an employer must be remitted to the Plan no later than the 15<sup>th</sup> business day of the month following the month in which the participant contribution are received by the employer.

##### **Cause of Condition**

Failure of the City design and implement adequate controls.

##### **Potential Effect of Condition**

Non-compliance with specific regulations may cause the Plan to become ineligible for the tax benefits of Section 457.

##### **Recommendation**

We recommend that the City implement procedures that will ensure full compliance with the Plan documents.

##### **Current Year Status**

This comment remains relevant for FY 2019. The City failed to remit funds in a timely manner as outlined in the DOL regulations for all 12 months.

##### **View of Responsible Officials and Planned Corrective Actions**

The City has addressed and corrected untimely remittance of 457 Pension plan payments by designating appropriate staff personnel to review and monitor routinely. This staff person uses the following steps to ensure timely processing of the pension plan payments due monthly:

- Monitors the City's receipt of the monthly invoice and records the receipt date and the amount due.
- Should an invoice not be received during a certain month, the staff person will follow-up with a phone call to the company to inquire of the invoice and request a duplicate copy to prevent a delay in processing the payment.

# CITY OF OPA-LOCKA, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

### **Section III – Prior Year - Financial Statement Findings and Status (Continued)**

#### *Significant Deficiency (cont'd)*

#### **2017-06 Pension Plan Remittance (cont'd)**

##### **View of Responsible Officials and Planned Corrective Actions (cont'd)**

- Prepares the Requisition for payment and track the length of time taken to have it approved as a Purchase Order (PO).
- Follows up on the time taken for PO to be received in Accounts Payable from the City Manager's Office.
- Follows up on the time taken for the wire transfer to be processed and sent to Pension Plan Agent.
- To document the pension plan file, HR's staff person will obtain a copy of the monthly wire transfer confirmation and attach it to copy of the invoice and Requisition request.

In addition to the procedures above, there will be oversight and monitoring by both the Human Resources Director and staff within the Finance Department.

With the auditor's confirmation that the above internal control items are currently in effect at the City, management requests that this finding be closed.

# CITY OF OPA-LOCKA, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

### **Section III – Prior Year - Financial Statement Findings and Status (Continued)**

#### *Material weakness*

#### **2015-01 Timeliness of Recording Individual Transactions**

##### **Condition**

We believe that the City of Opa-locka does not maintain adequate financial records. Certain transactions are not summarized in a general ledger, nor all transactions recorded on the books in a timely manner. Such a system does not permit the preparation of accurate and reliable financial statements.

##### **Criteria**

Prudent accounting practices include policies, procedures and controls over the recording, processing, and reporting of accounting events and transactions.

##### **Recommendation**

We recommend that a designated member of management performs periodic analysis of significant accounts to determine the completeness of account balances and investigate and resolve any issues identified. This practice serves to enforce checks and balances necessary for strong internal controls and accurate financial reporting.

##### **Current Year Status**

This condition still exists in FY2019. For example, several accounts payable, accruals, other liabilities related to payroll benefits expenses were materially misstated as of the year end due to multiple incorrect and incomplete entries posted to the accounts over many years.

##### **View of Responsible Officials and Planned Corrective Actions**

The City has assessed and reviewed the internal accounting policies, procedures and controls over the recording, processing, and reporting of its accounting events and transactions. To enhance the accuracy and reliability of these events and transactions, Management has implemented the following procedures:

- The City has developed the necessary policies and accounting procedures to address this finding.
- The City has made plans to give group/and or individual training sessions to Finance Department staff in the areas of journal entry preparation; closing a fiscal month in order to begin activity in a new month; reviewing the importance of obtaining sufficient, competent evidential matter to support transaction.
- The City is actively reconciling accounts to produce relevant and accurate financial data.
- Additionally, the City is in the process of recruiting a seasoned Finance Director to provide financial management, oversight, staff supervision and to continually monitor and improve the Finance Department's financial reporting system.

# CITY OF OPA-LOCKA, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

### **Section III – Prior Year - Financial Statement Findings and Status (Continued)**

#### *Significant Deficiency*

#### **2015-02 Upgrade the Accounting System**

##### **Condition**

The software programs used to perform the financial functions and related activity does not have the capability of producing reports that are necessary for management to accurately report on the City's financial position. For example, during our audit, we noted that the City was not able to provide an accounts payable aging report or an alternate report to support the accounts payable balance in the general ledger system.

##### **Criteria**

The financial accounting and reporting system should provide the information management needs to monitor the City's financial condition and make appropriate decisions in a timely basis.

##### **Recommendation**

We recommend that the City conduct an evaluation of the existing financial system and an analysis of projected needs. This evaluation should focus on ensuring that the City's financial systems maximize the productivity of its staff and meet the financial reporting needs of management.

##### **Current Year Status**

The condition still exists in current year.

##### **View of Responsible Officials and Planned Corrective Actions**

The City has determined that the existing financial accounting and reporting system does not meet all of its needs.

In assessing and evaluating the operational and financial needs of the City, such as the referenced accounts payable aging report or an alternate report to support the accounts payable balance in the general ledger system, management will consider the use of the budgetary process to cover the cost of vitally needed financial system enhancements.

An intense analysis by the IT Director of the City's financial system needs, has revealed the need for a new enterprise resource planning (ERP) software system that can provide integrated management of the City's main business processes, to include financial management and accounting system needs, along with other core business processes for the City.



# CITY OF OPA-LOCKA, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

### **Section III – Prior Year - Financial Statement Findings and Status (Continued)**

#### **2015-03 Financial Reporting Policies and Procedures Manual and Reconciliation of General Ledger Accounts to Supporting Documents**

##### **Condition**

During the audit, we noted that significant general ledger accounts were not properly reconciled. A formal accounting policies and procedures manual would facilitate continuity in the necessary procedures.

##### **Criteria**

Prudent financial reporting requires accurate and timely reconciliation of general ledger accounts. The existence of a formal policy and procedures manual could assist with the timeliness of reconciling account balances.

##### **Recommendation**

We recommend that the City develop a formal financial reporting policies and procedures manual which include the reconciliation of general ledger accounts on a monthly basis among other process and procedures. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a specific period, which makes it easier to perform future reconciliations. Also, formal documentation can be used to reinforce established policies and procedures and serve as a training tool.

##### **Current Year Status**

A similar condition is still applicable for FY 2019.

##### **View of Responsible Officials and Planned Corrective Actions**

The City is developing and updating its existing financial reporting policies and procedures and has implemented systems to continually monitor the monthly general ledger reconciliation process, including providing supporting documentation for accounting transactions (i.e. journal entries).

In addition to developing and updating its existing financial reporting policies and procedures, the City found it necessary to perform an intense analysis of projected financial system needs which revealed that the hiring of senior staff with government accounting and financial reporting experience would begin to strengthen the financial capabilities and reporting reliability of the Finance Department. It is recommended that the Finance Director and two additional Senior Accountants would have shared duties in the areas of general ledger accounting, knowledge of generally accepted accounting principles (GAAP) and financial reporting.

The additional Senior Accountant staff would have the experience and knowledge to be able to implement procedures that would identify errors and irregularities on a timely basis in the general ledger and accounting records, and would have the ability to correct such errors on a monthly basis.

# CITY OF OPA-LOCKA, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

### **Section III – Prior Year - Financial Statement Findings and Status (Continued)**

#### **2014-01 Checks Outstanding for Over 12 Months**

##### **Condition**

Stale checks dating to the prior fiscal year are still being tracked in monthly bank reconciliations.

##### **Criteria**

While performing its monthly bank reconciliations, the City should monitor old outstanding checks as required by the City's policies and procedures.

##### **Cause of Condition**

The City did not perform complete monthly bank reconciliation.

##### **Potential Effect of Condition**

Cash balances are not accurately stated to reflect the true cash balance at the reported date.

##### **Recommendation**

We recommend the City to research stale checks dating over a year and follow the City's policies and procedures regarding stale checks.

##### **Prior Year Status**

The City has reviewed this issue and has voided all stale dated checks through the current period. The City has developed management review and internal control processes to review and approve journal entries posted in the general ledger system for voided and stale dated checks.

##### **Current Year Status**

This condition is still applicable in current year.

##### **View of Responsible Officials and Planned Corrective Actions**

The City has resolved this finding by implementing corrective action that entailed enhancing its policies and procedure by development an unclaimed property policy to address staled checks. This policy adheres to the State of Florida Governing Statute – Chapter 717 for Unclaimed Property.

In addition, the City has submitted to the State of Florida staled dated checks that met the abandoned property criteria for previous years where applicable.

Unclaimed Property is a financial asset that has been left inactive, unclaimed, or abandoned by its owner; most often consisting of uncashed checks. These unclaimed assets are held by the reporting entity (City of Opa-locka) for a set period of time, vendor checks are held for five years and payroll checks are held for a year. If the holder is unable to locate and re-establish contact with the owner, the asset is reported and remitted to the Florida Department of Financial Services, Bureau of Unclaimed Property.

# CITY OF OPA-LOCKA, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

### **Section III – Prior Year - Financial Statement Findings and Status (Continued)**

#### **2014-03 Deteriorating Financial Condition (Repeat finding from FY2013)**

##### **Condition**

There has been a lack of information for timely reporting.

##### **Criteria**

The City needs to be able to keep the revenues in line with expenditures and not rely on revenues from utility funds.

##### **Cause of Condition**

There have been significant staff turnovers at the highest level, which has disrupted continuity and has caused ineffective training for finance staff as well as a general lack of experience with specific matters related to the City. Property values continue to decline which causes a loss in property tax assessments and a reduction of a significant revenue stream. Unemployment levels remain very high at 17.5% and household incomes are not increasing.

##### **Potential Effect of Condition**

If financial conditions continue to deteriorate, the City may require state assistance which would then be deemed a financial emergency pursuant to Section 218.503(1), Florida Statutes.

##### **Prior Year Status**

On June 1, 2016, the City of Opa-locka City Commission adopted a Resolution to request a declaration that the City is in a state of financial emergency to seek the appointment of a financial emergency board and other assistance pursuant to section 218.503(1), Florida Statutes. The State of Florida, Office of the Governor, issued Executive Order 16-135, signed by Florida Governor Rick Scott.

The City is in process of preparing its Five-Year Recovery Plan in accordance with Florida Statute, 218.503 (3)(h).

##### **Current Year Status**

The proprietary funds are not being used by the governmental funds for operations, this has been resolved and significant progress has occurred to spend under budget. In addition, the City presented their Five-Year Recovery Plan to the State in August 2020, which was approved and implemented effective fiscal year 2021.

### **Section IV - Current Year Findings - Federal Award - Major Programs**

*No current year findings.*

# CITY OF OPA-LOCKA, FLORIDA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

<u>Federal Grantor /Pass-Through Grantor/Program Title</u>	<u>Federal CFDA / CSFA Number</u>	<u>Contract or Identifying Number</u>	<u>Total Expenditures</u>
<i>Special Law Enforcement Funds</i>			
U.S. Department of Justice	16.922		\$ 58,752
U.S. Department of Treasury	21.016		<u>39,709</u>
Total Special Law Enforcement Funds			<u>98,462</u>
<i>Environmental Protection Agency</i>			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF00D321150	65,901
<i>Environmental Protection Agency</i>			
<b>Passed-through:</b>			
<b>Florida Department of Environmental Protection</b>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-12000114-0	684,562
Capitalization Grants For Drinking Water State Revolving Funds	66.468	FS984522-140	<u>5,052</u>
<i>Total Environmental Protection Agency</i>			<u>755,515</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 853,977</u>

# CITY OF OPA-LOCKA, FLORIDA

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

### **NOTE 1 GENERAL**

The accompanying Schedules of Expenditures of Federal Awards presents the activity of all federal awards programs of City of Opa-locka, Florida, (the "City") for the year ended September 30, 2019. All federal awards expended from federal agencies are included in this Schedule

### **NOTE 2 BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards include the federal grant activities of the City and is presented on the accrual basis of accounting. The information in these Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in these Schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

### **NOTE 3 INDIRECT COST RATE**

The City has elected to use the 10 percent de minimus cost rate. However, this has not been applied to any federal grants.



# ANTHONY BRUNSON P.A.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

## MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Honorable Mayor and Member of the City Council  
City of Opa-locka, Florida

### Report on the Financial Statements

We have audited the financial statements of the City of Opa-locka, Florida, as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated, June 28, 2021.

### Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and Chapter 10.550, Rules of the Florida Auditor General.

### Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an Examination Conducted in Accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Florida Auditor General. Disclosures in those reports and schedule, which are dated, June 28, 2021, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report *except as noted in the Schedule of Findings and Questioned Costs*.

### Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The name or official title and legal authority of the Primary government are disclosed in the notes to the financial statements.

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**Miramar Office**  
3350 SW 148<sup>th</sup> Avenue | Suite 110  
Miramar, FL 33027  
(954) 874-1721

CLIENT FOCUSED: SOLUTION DRIVEN

[info@abcpasolutions.com](mailto:info@abcpasolutions.com)

**Miami Office**  
801 Brickell Avenue | Suite 800  
Miami, FL 33131  
(305) 789-6673

## **Financial Condition and Management**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met.

On June 1, 2016, the City of Opa-locka City Commission adopted a Resolution to request a declaration that the City is in a state of financial emergency to seek the appointment of a financial emergency board and other assistance pursuant to section 218.503(1), Florida Statutes. The State of Florida, Office of the Governor, issued Executive Order 16-135, signed by Florida Governor Rick Scott.

The City submitted its Five-Year Recovery Plan in accordance with Florida Statue, 218.503 (3)(h) in August 2020.

## **Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2019, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2019.

## **Additional Matters**

Section 10.554(1)(i)2., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. Findings are identified in the schedule of findings and questioned costs.

## **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the members of the City Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Miami, Florida  
June 28, 2021



# ANTHONY BRUNSON P.A.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

## INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES

To the Honorable Mayor and Member of the City Council  
City of Opa-locka, Florida

We were engaged to examine the City of Opa-locka's (the City) compliance with Section 218.415, Florida Statutes, Local Government Investment Policies for the year ended September 30, 2019. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

The City failed to provide written investment policy that is consistent with the requirements of the applicable Florida Statutes; as such were not able to test compliance with policy requirements. Additionally, the City's books and records were not adequately maintained, hence we were not able to perform sufficient procedures to determine the status of any surplus funds that the City may have.

Because of the limitation on the scope of our examination discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the City complied with the specified requirements of Section 218.415, Florida Statutes for the year ended September 30, 2019.

Miami, Florida  
June 28, 2021

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**Miramar Office**  
3350 SW 148<sup>th</sup> Avenue | Suite 110  
Miramar, FL 33027  
(954) 874-1721



CLIENT FOCUSED: SOLUTION DRIVEN

[info@abcpasolutions.com](mailto:info@abcpasolutions.com)

**Miami Office**  
801 Brickell Avenue | Suite 800  
Miami, FL 33131  
(305) 789-6673